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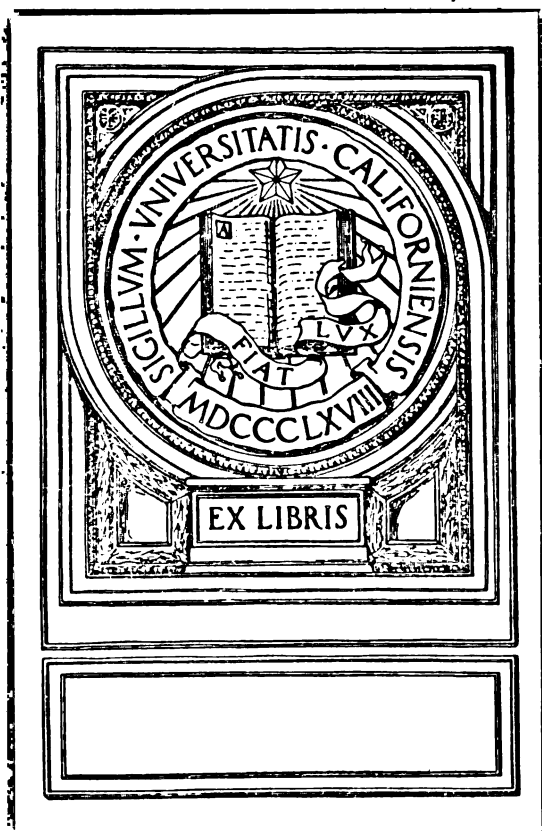
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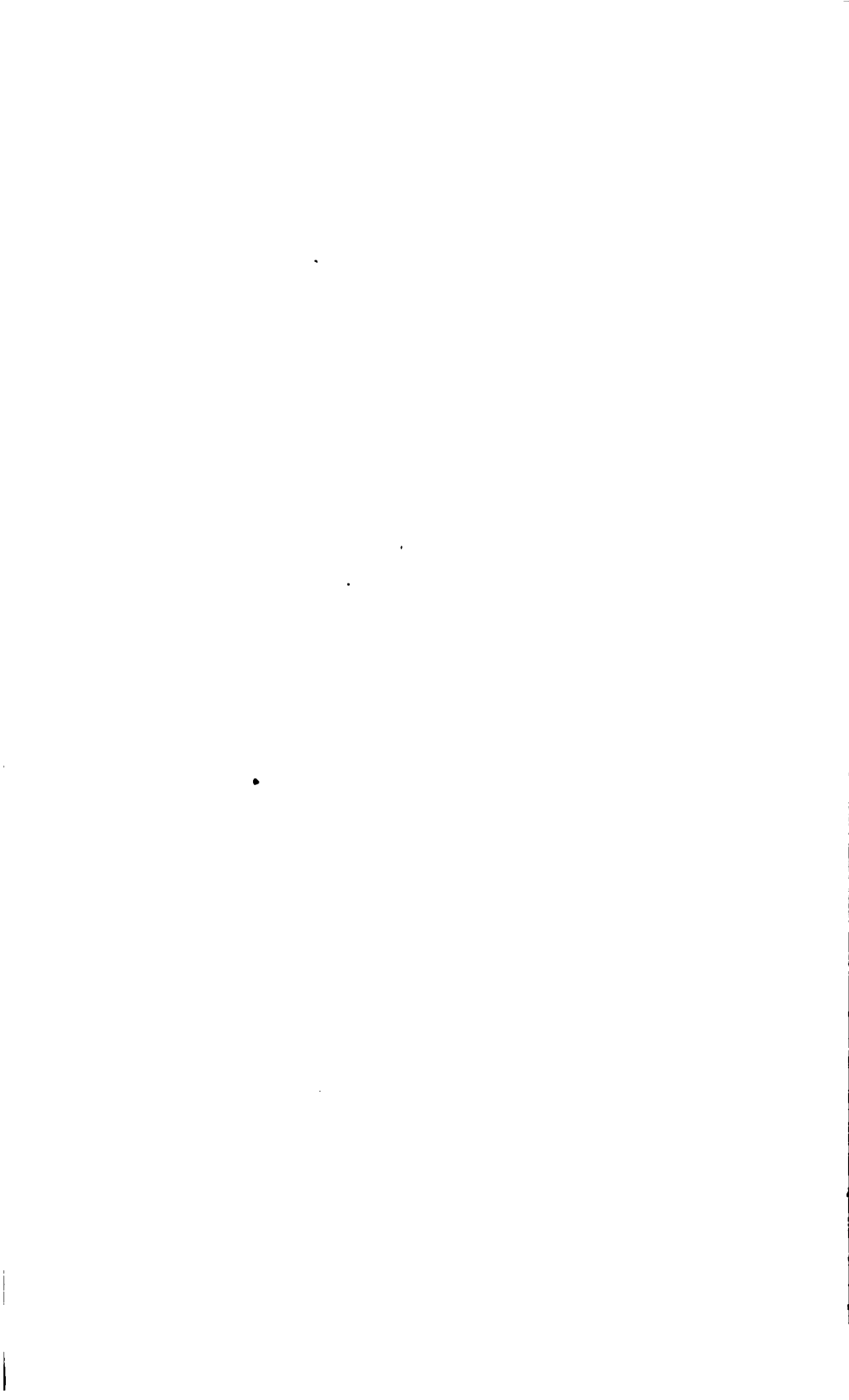


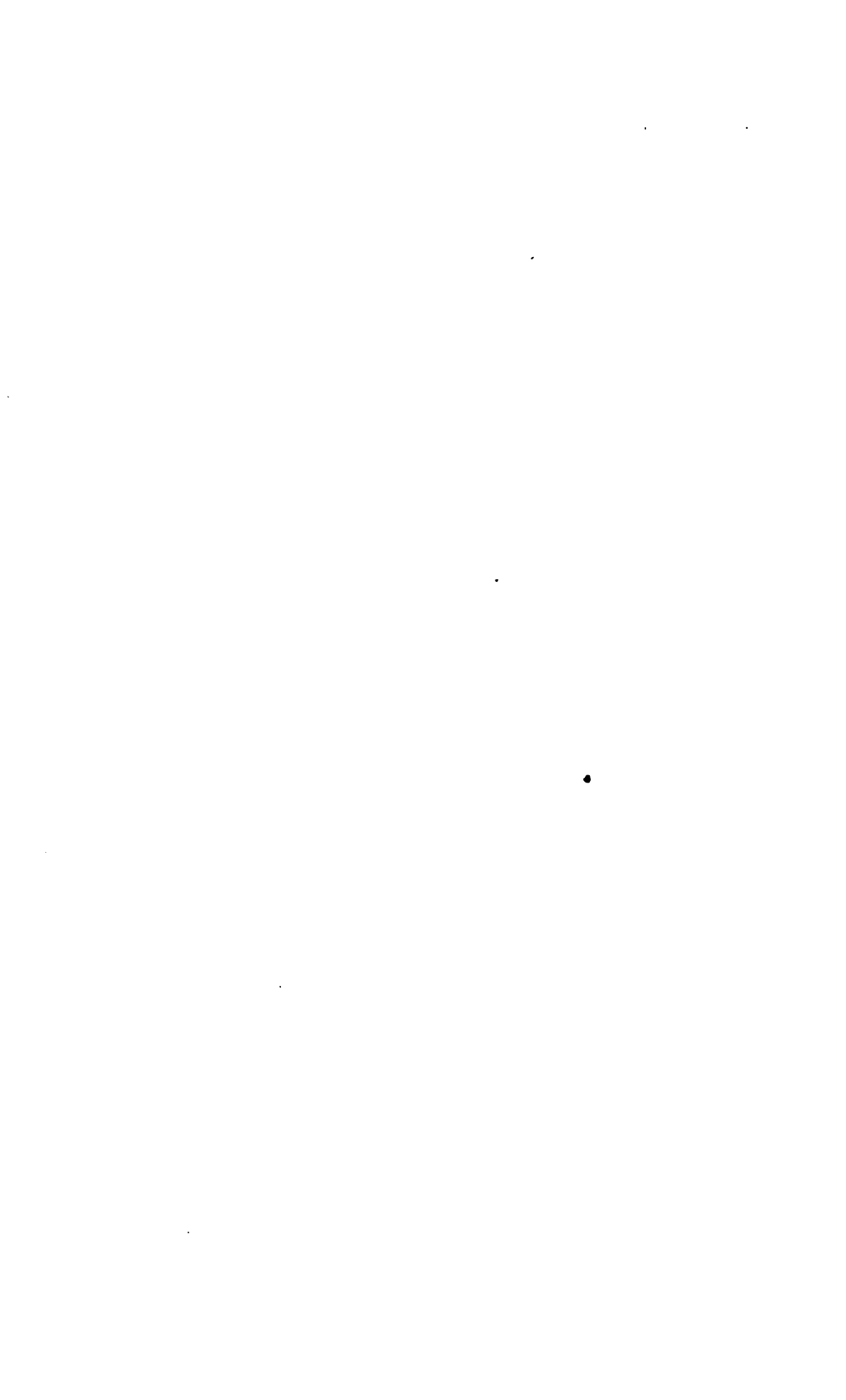












**AN ATTEMPT**  
**TO SHEW THE JUSTICE AND EXPEDIENCY**  
**OF SUBSTITUTING AN**  
**· INCOME OR PROPERTY TAX ·**  
**FOR THE PRESENT TAXES, OR A PART OF THEM;**  
**AS AFFORDING**  
**THE MOST EQUITABLE, THE LEAST INJURIOUS,**  
**AND (UNDER THE MODIFIED PROCEDURE SUGGESTED THEREIN,) THE LEAST OBNOXIOUS MODE OF TAXATION:**  
**ALSO, THE MOST FAIR, ADVANTAGEOUS, AND EFFECTUAL PLANS**  
**OF REDUCING THE**  
**NATIONAL DEBT.**



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**London :**

**J. HATCHARD AND SON, 187, PICCADILLY.**

**1833.**

HJ 4707  
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**DIVISION OF THE WORK.**

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**FIRST PART.**

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**ON THE  
ADVANTAGES  
OF  
SUBSTITUTING  
AN  
INCOME TAX OR PROPERTY TAX  
FOR THE  
PRESENT TAXES.**

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**SECOND PART.**

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**MODIFICATIONS  
OF THE  
PLAN  
OF THE LATE  
PROPERTY TAX  
AND VARIOUS  
PLANS  
OR  
SCALES OF CHARGE  
ON  
PROPERTY AND INCOME  
SUGGESTED.**

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**THIRD PART.**

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**FAIR, ADVANTAGEOUS,  
AND EFFECTUAL  
PLANS,  
AFFORDED BY AN  
INCOME OR PROPERTY TAX,  
OF  
REDUCING THE NATIONAL DEBT,  
OFFERED FOR CONSIDERATION.**

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## PREFACE.

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*It is particularly requested that the Preface may be read.*

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COPIES of this Work were printed several Months since, and presented to some of the Members of the two Houses of Parliament, with a prefatory statement as follows;

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\* Second and Third Parts and Appendix.”

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ON THE  
ADVANTAGES  
OF  
SUBSTITUTING AN INCOME TAX OR PROPERTY TAX  
FOR THE PRESENT TAXES,  
*&c. &c.*

---

FIRST PART.

---

*Preliminary Observation.*

As the following attempt to exhibit the comparative advantages of an Income or Property Tax is made by endeavoring to shew that the evils of Taxation may be diminished by substituting such a Tax for the present Taxes—the Writer is anxious to be understood throughout his attempt in the comparative sense only, not as denying that the Income or Property Tax is attended with evils such as arise from other Taxes in general, but as attributing to it a less degree of them; He would also disclaim any intention to impute to the present system of Taxation more evils or a greater degree of them than really exists;—on the contrary, while he discusses the nature of those evils without pretending to judge of the extent of them, he would declare his belief that, if the full extent of them could be developed with certainty, it would be found much less than it is generally considered to be; all he would contend for, and on the grounds which he has fully submitted under the several heads of this First Part of his Work, is, that whatever may be the real extent of those evils, it would be diminished by the substitution of an Income or Property Tax.

*Contrast of the two Bases of Taxation—Income and Expenditure—in respect of the Evils of Taxation.*

Lest it be objected to the following Contrast that it is formed upon the presumption of a plan of Income Tax such as it should be, rather than such as it has been, of a more perfect plan which is assumed to be practicable—the Writer thinks it necessary to premise, that having in the Second Part of his Work suggested various modifications to meet the objections to the plan of the late Property or Income Tax, he contemplates in his Contrast, such a plan of Income Tax as he conceives would be attained when all those modifications and improvements had been bestowed on it which, after sufficient trial and experience, might be found just and expedient, such a plan as he presumes could be gradually brought into operation, and as would justify his Contrast throughout.

In endeavoring in this Contrast to shew the advantage of Income over Expenditure as a basis of taxation—an *Income Tax* will be considered as a Tax extended to every description of Income; at the conclusion of the Contrast an endeavor will be made to shew how far and in what manner a *Property Tax*, viz. a Tax on Income derived from Property only, will confer the advantages of a general Income Tax.\*

*Evils of Taxation or of the Plans of raising it.*

On a review of the evils of Taxation, or of the Plans of raising it, it may appear that they proceed,

- 1st. *From Inequality.*
- 2nd. *From Procedure.*
- 3rd. *From Excess.*

---

\* The term *Income Tax* is more properly applicable to the general Tax; the late *Property Tax* was by the Act denominated "A Contribution on the Profits arising from Property, Trades, and Offices." It was in strict signification, and in effect, a general Tax on Income, though it was commonly called the *Property Tax*.

Most of the present Taxes, direct and indirect, may properly be termed Taxes on *Expenditure*. The present indirect Taxes on articles of Consumption and Use may be termed, indifferently, Taxation on *Capital*, on *Produce*, on *Commodities*, or on *Expenditure*; they are Taxes on *Capital* as regards certain classes as Producers who advance them out of Capital, and they are Taxes on *Expenditure* as regards all classes as Consumers, by whom they are ultimately paid. They are Taxes of which Expenditure is the basis of charge and Prices the means of collection.

**viz. Excess :**

- 1st. *In as far as Taxation may deprive the Payers of the Taxes\* (the Agricultural, Manufacturing, Trading, Professional Classes, &c.) of more than is received by the Receivers of the Taxes (the Public Creditors and Public Servants,†)*
- 2nd. *In as far as Taxation may exact more than the Property, Capital and Industry of the Payers of the Taxes can replace.*
- 3rd. *In as far as Taxation may transfer from the Payers to the Receivers of the Taxes a share of the general Income of the Country greater than is just or necessary.*
- 4th. *In as far as the levy of a Sinking Fund or Surplus Revenue may be unnecessary or of inadequate utility.*

**1st. Inequality of Taxation.**

*As it affects Individuals considered as Consumers of Commodities or as Owners of Income.*

Considering Equality of Taxation to signify taxation in due proportion to every one's means and ability to pay, that most just principle of taxation, it seems to follow that *Income*, which constitutes and evidences the means to pay, is the surest basis for equal taxation. Though an Income Tax cannot be rendered in practice so perfect as it is in principle, inequality is not natural and inherent to it; if it be framed upon an equitable plan, inequality will arise from wilful evasion only, but it is conceived that Expenditure is a basis of Taxation of which inequality is, in various ways, a natural consequence, that inequality is an inherent part of it, that it is increased by evasion, but will inevitably exist without it.

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\* Considering that part of Taxation which is taken from the Public Creditors and Public Servants as so much taxation abolished, the Agricultural, Trading and Professional Classes, &c. may be regarded, for the purpose of this Contrast, as the sole Payers of the Taxes.

† This last Class may be considered as including Government in respect of its *incidental* disbursements beyond the sum expended in the *personal* Compensations, Allowances, &c. of the Public Servants.



As the relative expenditure of individuals is not in proportion to their relative means, Taxation on Expenditure cannot fall on every one in proportion to his ability to pay; even if the expenditure of all individuals were in proportion to their means, Taxation on Expenditure would still be unequal unless it affected in different and due degrees the prices of articles according to the diversity of their use and importance as necessities, as comforts or conveniences, and as luxuries, and unless also those degrees varied as the prices of articles varied from other causes.

It may be alleged, that although a Tax of which Expenditure is the basis cannot be a Tax in proportion to every person's income or ability of payment because all persons do not wholly or proportionably expend their incomes, yet as to all those persons who do wholly or proportionably expend their incomes it may be an equal Tax—that incomes of £100 or £150 wholly or proportionably expended will pay respectively to taxation one-third or one-half of the amount which incomes of £300 wholly or proportionably expended will pay; but the question may be, whether those incomes ought to pay in that ratio. If a gradually increasing Scale of Taxation, according to which the rate of it will become higher as the means for contribution increase, be most consonant with justice, Taxation graduated by the rate of individual Expenditure cannot be most just; but a Tax on Income admits practically of such a gradation.

A person whose Income, derived from labour and skill, will not survive him for the benefit of his family, and however uncertain in amount or in duration it may be, pays as much out of his expenditure to the present Taxes as a person expending to an equal amount whose Income derived from Property descends to his posterity; if this be injustice, a Tax on Income in affording a practicable distinction in that respect is the best remedy for it.

In the case of a man whose Income has been diminished, but who from his situation in life or from the necessities of a large family cannot reduce his expenditure, or who suffers greatly in necessarily reducing it, Taxes on Expenditure bear with peculiar inequality and hardship; but in such a case how much more equitable and less severe is the operation of an Income Tax, from which relief, in proportion to the diminution of the means, is, in every case, sure to be obtained.

If a man is able to save the more easily can he pay to an Income Tax and the greater may become his Income and the Tax upon it; what benefits himself benefits the Tax. The more a man can and will save the more does he avoid Taxation on Expenditure, and thus the more able he is to contribute to taxation the more he benefits himself at the expence of taxation and of all fair contributors to it.

It has been stated in answer to an allegation of the just effect of an Income Tax on the Parsimonious, that although such persons do not expend nearly the whole of their Incomes, their savings are applied as Capital in some direction in which it is as beneficial to the general interests of the Community as if parted with in the way of Expenditure, and that it is no recommendation of an Income Tax that it falls more heavily than the present Taxes on that description of persons. It may in reply be stated, that as an Income Tax will in the aggregate take far less out of the pockets of the Community in general than the present Taxes exact, the means of saving will on the whole be increased: but that as concerns individuals, by substituting the former for the latter, those means will be justly shifted from some to others, and therefore more equally diffused among all; that whichever mode of disposing of Income, whether expending or saving it be most beneficial to the general interests, the case between the parsimonious and other individuals on the point of Taxation may involve a question less as to the general effects, than to the relative individual consequences; it is whether it be just that persons of equal means should contribute unequally and suffer unequal deprivation of those means for that protection of the State which they alike enjoy, and for the discharge of a public debt which they alike owe, in respect of both which every man is in justice and fairness indebted, not in proportion to what he expends but in proportion to what he acquires or possesses: whether it be just if a parsimonious person expend one-fourth only of his Income, contributing to Taxation on Expenditure in the same proportion, that the other three-fourths of Taxation, which if he were taxed according to relative ability he would also contribute, should fall on other persons; and the question may then become whether a direct Tax, in compelling the full contribution out of an Income the greatest part of which the

parsimonious individual has no real need of, and which he would apply only to increase a superfluity, and in relieving proportionably by such compulsion those who now expend the whole or nearly the whole of their Incomes, and then enabling them to make some saving out of their Incomes, is not a Tax which in thus operating equally on all individuals, will not be the most beneficial to the general interests. The conclusion in short appears, if a man benefit the community by his savings in the application of them as Capital as much as by increasing his Expenditure, that, under taxation on Income, but not under taxation on Expenditure, he may by saving do a benefit in one way—the addition to Capital—without doing an injustice in another—the avoidance of Taxation.

Some persons are so much disposed to avoid taxation that although they would not wilfully evade it by dishonest or illegal means, they forego the enjoyment or convenience of an article because it is taxed, although the tax may be an inconsiderable part only of the expence of it, but such a disposition is not felt, or it avails not if taxation be raised direct out of Income.

Taxes on Expenditure, in leaving in many cases the amount of the payment to them within the will and power of the payers, create a degree of voluntary burthen, which is, in the opinion of some, a great recommendation of those Taxes, but it is conceived that such opinion is not founded in justice, for that where there is a very large expence of the State to be defrayed, to which all are proportionably bound to contribute, the contributions of any individuals should not depend so much on themselves. It has been observed that “it is not because a man cannot pay more but “because he will not pay more that Taxes frequently cease to be “productive.” This observation is not applicable to Taxation on Income but is justly applied to Taxation on Expenditure; by the former a man may be compelled to pay his full share whether he is willing or not, and most properly so; but the compulsion to pay Taxation on Expenditure often falls heaviest where it should fall lightest; as Expenditure depends in some on will and in others on necessity, taxation on it operates often too leniently and often too hardly, and as the greater the individual means of expenditure the more in general the extent of it depends on will, the rich can escape it in proportion to their means more than those

who are not rich; and as the will or necessity of individuals to expend are variously disproportionate to their respective Incomes, so Taxation on Expenditure is as variously disproportionate to the means of contribution to it, and inequality in every degree is inseparable from it.

Taxation on articles of Consumption and Use cannot be imposed without falling most heavily on the lower classes, for whatever must be defrayed out of the price of consumption must be paid mostly by those who form the great bulk of consumers;\* but a Tax on Income will fall not only more lightly on those classes taking them in the aggregate, but also more equally among them, taking them in their various denominations and employments relatively to each other; and this effect will take place whether they pay directly to the Tax by the extension of it to their Wages, or whether they indirectly contribute to it by a reduction in the rates of their Wages consequent on the exemption of them from a direct charge to the Tax and the exclusive taxation of the rest of the community.

The inequality of Taxation on Expenditure shews itself in a very objectionable light when it favors a class of persons who are of all classes the least entitled to such favor—the Absentees. The Absentee, while he gives to a foreign country the benefit of his Expenditure wholly avoids the Taxation of his own; but as Absentees would not after the abolition of the present Taxes find living abroad so much cheaper than living at home, and as an Income Tax would reach the incomes of the generality of them, and they could not escape their due payment to the exigencies of their own country by residing out of it, most of them might be induced to return and give it the benefit of their whole expenditure. The change would at least prevent the remittance of so much Income to foreign countries as is now expended there.

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\* It appears by the Accounts of the Duties of Customs and Excise, that a very large proportion of them is imposed on some of the necessaries of life, and that a great part of the rest is paid in respect of conveniences and comforts which approach nearly to necessaries.

*Commodities cannot be taxed with equality and with due regard to their relative use and value.*

The inequality of Taxation raised through Expenditure appears of a more complicated nature, and more difficult to be guarded against than the inequality of Taxation raised from Income. Taxation on Expenditure is unequal, not only because the Expenditure of different individuals is not in proportion to their individual Incomes or ability to bear Taxation, but as the rate of taxation on any particular article of use and consumption should bear a due relation to the rates of Taxation on all other articles considered according to their different natures, as necessities, as conveniences or as luxuries, and a due regard to all the changes which they undergo in various degrees from other causes than Taxation, so any inequalities of Taxation proceeding from those natural differences and other causes cannot be easily and certainly obviated. Looking at the various articles of Produce now subject to the Customs and Excise Duties, it seems impossible to fix with certainty the relation of rate which in justice and policy each should bear to the rest, and if such a scale of relative taxation could at any time be framed as should be suitable at that time to the various qualities and uses of commodities, would not political or commercial vicissitudes, would not changes in customs and fashions among society, by affecting some interests, some sources of supply more than others, very soon destroy the equity of the relative scale, it not being possessed like the Scale of a Tax on Income of the capability of adapting itself to whatever changes and fluctuations ordinarily occur. "Taxation can never be so equally applied as to operate in the same proportion on the value of all commodities and still to preserve them at the same relative value—it frequently operates very differently from the intention of the Legislature by its indirect effects."\*

The price of an article through the medium of which Taxation on Expenditure is raised, consists of two parts—the natural part and the artificial part, viz. the natural cost of the production or value of the article, and the artificial part or the excess created by the

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\* Ricardo.

Taxes beyond the natural cost or value. Unless the artificial part of the price which is paid, not for the use or enjoyment of the article, but for the Expences of the State, be so exacted that it shall fall on every individual purchaser in proportion to his means, and his interest in the State, the Taxes operate unequally and contrary to the right maxim of Taxation; and it may be asked, if an individual could afford to pay the natural price of an article and also the artificial price if the latter were in a just proportion to his means of expenditure, but, if in consequence of the excess of this price beyond that just proportion he cannot afford to purchase, whether that individual is not unjustly deprived by the Tax of the use or enjoyment of an article to which his circumstances and condition in life give him a natural right.

Taxes on Commodities in prescribing limits to or preventing the use and consumption of them without sufficiently regarding the dissimilarity and diversity in nature and degree of the necessities and inclinations of different individuals (a regard by which it would be impossible to regulate them) precludes that free disbursement of Income which the Tax on Income admits of; whatever be the amount taken directly from an Income in order to raise from it a certain sum for the Revenue, the remaining Income can be freely expended according to the possessor's wants or wishes, on any articles whatever the natural cost of which will bring them within the reach of it; but as the artificial parts of prices created by Taxes on Expenditure cannot be made to fall agreeably to the diversity of wants, the expenditure is not left with such full freedom to the will and discretion of the possessor.

*Individuals considered as Producers of Commodities, and as Advancers of the Taxes on them.*

It is conceived that inequality of Taxation on Commodities does not consist wholly in the inequality of the individual contributions exacted from the expenditure of the several payers, by which the amounts paid by some are more and the amounts paid by others are less than a due equivalent for the public benefits in return for which they are paid, but that it consists also in the partial effects in other ways of such taxation; the unequal effect of Taxation on

Commodities obtained through Expenditure as heretofore considered, is more particularly such as concerns the community at large as Consumers; but there are to be considered also the unequal effects of such Taxes as regards the Producers of Commodities. It appears impossible that the imposition of Taxes on different articles of consumption can be so adjusted that the Producers, taking the various classes or branches of them relatively to each other, shall be affected by them in exactly due degrees according to the extent and the value of the capital advanced by them respectively, and to the various rates of Cost of producing the different articles taxed; that the interest, and profit of the part of the capital advanced shall be in all cases proportionate to that part, and that the profits of the whole of the capitals employed by the Producers respectively in their different trades, &c. shall be affected in equal degrees; also that the weight of the Tax on any one particular article of consumption can be so apportioned that the different individuals concerned in the production of it in all the stages of its progress, and who are in advance of the Tax, shall be compensated or reimbursed by the ultimate payers, the Consumers, proportionably to their respective advances, increasing as the amount of the advance does in every stage of the progress of the article, and adding as this progressive increase does to the risk and uncertainty of trading in it; as Taxation by increasing prices diminishes demand, the advance becomes the more injurious or inconvenient, particularly as whatever may be the profit of a sum of capital laid out on any quantity of a taxed article, or even if no profit arise from it, the Tax thereon is at the same rate or amount, and particularly also as those who advance the Taxes should be repaid not only the sum which they advance but the additional wages paid to their workmen to enable them to bear the Taxes affecting the prices of articles consumed by them.

The consideration taken in its several bearings may be, not only whether all the various Articles of consumption and use and the Producers of them can be taxed in degrees having due relation to each other, and whether all the parties concerned as Producers in the production of any one particular taxed article can be affected in their due proportions; but whether also the effects will fall at all times and under all circumstances on the Producers and on the

Consumers respectively with the just relative weight. The Importer, the Grower, the Manufacturer, or whatever may be the denomination of the Dealer in any taxed article, may, in order to increase or keep up the ordinary extent of the sale of it, part with it at less than its fair remunerating price, and by thus lowering his own profit to the undue advantage of the Consumer suffer unequally by the Tax, and this may be the effect of the Tax whether the necessity or inducement to such a disadvantageous disposal of the article arises wholly from the Tax or partly from any other cause affecting the production and sale of the article, and not only on the first imposition of the Tax but occasionally afterwards; such may be the effect at some times and not at others, and thus the Tax may be the frequent cause in some degree of an injurious fluctuation of price between the Producers and Consumers; or, on the contrary, if Dealers in taxed articles profit by their advances and the increased prices, the degree of such profit may be greater than it should be, it may create to the Consumer a greater cost, and may virtually throw on him a larger proportion of the Tax than he should bear; but Taxation on Income being taken not out of capital, stock or goods, the future profit from which to the respective parties concerned in them may be uncertain and unequal, but out of Net Profit after it has been determined, and conforming itself to the amount of Profit which each gainer has acquired, must be attended with a less unequal and with a less uncertain and detrimental operation to the Producers of Income in general; such a Tax opposes not ordinary contingencies but bends to them. Any particular commodity of use and consumption may at one time be a fair object of taxation, but at other times, by change of circumstances, be the worst subject for it; but Income is at all times and under all circumstances and whatever changes arise, suitable for taxation; and for the very reason that changes are constantly arising, it is the most if not the only fair and safe object of taxation for a permanency. Whether the Country were in a state of Prosperity or of Decline, and in whatever degree of either, the Income Tax would keep all ranks and conditions more readily and nearly in their proper relative state than any other kind of Taxation will admit of—if any particular interest more than others advanced or retrograded, the rest, as far as Taxation affected them respectively,



would more surely benefit or suffer proportionately as they justly should do.

*Taxes on Luxuries unequal and more injurious than a Tax on Income.*

Some Taxes raised through Expenditure may be less unequal and less injurious than others, but the best of them will not stand the test of comparison with an equal Income Tax. There may be reason for conceiving Luxuries to be objects for Taxation preferable to Necessaries or Conveniences so far as concerns those who consume or use the former, but putting out of consideration that the habitual use of luxuries renders them necessary, and that the deprivation of them by taxation may be a hardship, it must not be overlooked that the large classes, Capitalists and Laborers, who produce them, and who are equally with other classes of Producers entitled to regard and protection, suffer from the restrictions created by Taxation on those productions of their skill and industry, also that there is such a connection between those productions of different kinds, necessities and luxuries, and between those classes by whose capital and labor they are respectively obtained, that there is such a dependance of them on each other, that Taxation, though, falling directly on some only, will indirectly affect all or many others, and that thus Taxes on luxuries, although they may appear to be Taxes the least oppressive so far as they affect those on whom they are intended to fall, that is the higher or richer classes, may fall on the productive and poorer classes in general as injuriously and unequally as Taxes imposed on articles of convenience or necessity. If the Tax on individual Income in leaving less to be expended precludes or diminishes in many cases the attainment of luxuries, it does so in a more equitable and less injurious manner than Taxes imposed directly on them.

*Taxes on Commodities most unequal and oppressive to the lower Classes.*

It may be intended that any hard or unequal pressure of Taxation raised through Expenditure should, as far as regards the inferior classes, be avoided or lessened by imposing few or no Taxes on the most absolute necessities of life; but it has been shewn by

Writers on Taxation that a Tax on one article, by increasing its price, increases indirectly the prices of other articles whether these be taxed or not, and thus all Taxes may affect the condition of the lower classes; also that by diminishing consumption and production, and therewith the employment of labor previously bestowed on the article taxed, it throws some of that labor inconveniently on other sources, or if there be not elsewhere any employment for it, it drives labor wholly out of employ; Taxes on Commodities then either destroy that natural distribution and equilibrium of labor throughout which maintain the greatest number of laborers in the most constant and extensive employ, or they render a proportion of them wholly idle and unproductive. As it thus appears that even if the poorer classes subsisted wholly on commodities not directly taxed, they would nevertheless contribute indirectly to Taxation, that Taxes on numerous articles which the other classes consume or use will indirectly raise the prices of articles which the poorer classes need, so there is no effectual way of relieving the latter in any degree from the effects of Taxes on Commodities than by increasing their Wages, and then the evil is augmented in as far as this increase in the Cost of labor, in still further raising prices, aggravates the unequal bearing of those Taxes both on Producers and Consumers. Under an Income Tax there is the alternative of taxing Wages or of exempting but reducing them—either mode will operate with equality and without oppression.

*Effects of Taxes on Commodities in unequally increasing the Cost of different Productions.*

As the Expences of Production in different concerns in Trade and in different kinds of Land are, taking them comparatively with each other, disproportionate to the Profits accruing from them respectively, so the present Taxes, which form a considerable part of those Expences, contribute largely in that way also to produce inequality, and whenever much expence is requisite may so far increase it as wholly to stop production. This may be particularly exemplified in regard to the cultivation of different Lands: As inferior Lands cost as much in cultivation as the more fertile, and as Taxes on articles of use and consumption, in raising the prices of them and also the price of labor add greatly to that cost, so a Farm of poor Land is charged by that addition to the cost of cultivating

it with an amount of Taxes equal to the amount borne by a Farm of superior lands of the same number of acres ; but as the poor Farm produces a Profit far less than the Profit of the superior Farm, it is taxed excessively as compared with the other : and this is not an affair of mere inequality affecting the parties more immediately interested, but as the cultivation of poor land cannot be attempted or cannot succeed where the outgoings will exceed or equal the gross receipts, so it may be that the addition of the Taxes will, by rendering that expence excessive, absorb the Profit, which might compensate for the labor and risk of cultivation, and thus the Taxes will have the effect of stopping cultivation.

It may also be observed that Taxes on Commodities do not pay regard to the *fluctuation* in the natural Cost of producing them. The amount of a Tax on a given quantity of Produce may be the same at all times, although the cost of carrying the Produce through all its stages may at one period much exceed that of another period. But if the Net Profits of Produce be taxed, viz. after all outgoings and expences have been deducted from the Gross Receipts, how comparatively light and innoxious are the consequences of Taxation thus considerably imposed and duly equalized.

*Unequal effects of Taxation on Commodities in case of Alterations in the Value of Money.*

The unequal rates at which alterations in the value of Money will affect the prices of different Commodities when they are taxed are described by Mr. Ricardo as follows : “ In a country  
 “ where no taxation subsists the alteration in the value of Money,  
 “ arising from scarcity or abundance, will operate in an equal proportion on the prices of all commodities, that if a commodity of  
 “ £1,000 value rise to £1,200 or fall to £800, a commodity of  
 “ £10,000 value will rise to £12,600 or fall to £8,000 ; but in a  
 “ country where prices are artificially raised by taxation the abundance of Money from an influx or the exportation and consequent scarcity of it from foreign demand will not operate in the  
 “ same proportion on the prices of all commodities, some it will  
 “ raise or lower 5, 6 or 12 per Cent. others 3, 4 or 7 per Cent. If  
 “ a country were not taxed and Money should fall in value, its  
 “ abundance in every market would not produce similar effects in

“ each; if meat rose 20 per Cent. bread, beer, shoes, labor, &c.  
 “ every commodity would also rise 20 per Cent., it is necessary  
 “ they should do so to secure to each trade the same rate of profits.  
 “ But this is no longer true when any of these commodities is  
 “ taxed; if in that case they should all rise in proportion to the  
 “ fall in the value of Money, profits would be rendered unequal—  
 “ in the case of the commodities taxed profits would be raised  
 “ above the general level, and capital would be removed from one  
 “ employment to another till an equilibrium of profits was restored,  
 “ which could only be after the relative prices were altered.” If  
 the ultimate and Net Profits of all Trades were taxed to an Income  
 Tax, together with Incomes from all other sources, such unequal  
 effects as are here attributed to alterations in the Money circulation,  
 in case of commodities being taxed, could hardly arise; Profits  
 would be wholly or more safe from them; whatever effect altera-  
 tions in the Currency or other causes than Taxation produce on  
 any sources of Profit, that effect is concluded before the Profit has  
 accrued, and the Tax laid on Profit would not co-operate with  
 those causes in unequally affecting Profits of different Trades, but  
 the effect is not decided before Taxation operates if it be laid on  
 Capital, Stock or Goods; whence it is that the inequalities ad-  
 verted to proceed, which a Tax imposed directly and solely on  
 Profit, and extending to all descriptions of Profit, is more free or  
 wholly free from.

*Conformity of an Income Tax with Mr. Ricardo's opinion as to  
 the Objects fittest for equal Taxation.*

In support of the views herein taken of the comparatively greater  
 inequality of Taxation on Commodities, further extracts from the  
 Work just quoted are offered. In a chapter upon Taxes on Raw  
 Produce Mr. Ricardo observes,

“ Now the sum required by the Tax must be raised, and the  
 “ question simply is, whether the same amount shall be taken  
 “ from individuals by diminishing their profits, or by raising the  
 “ prices of the commodities on which their profits will be expended.  
 “ Taxation under every form presents but a choice of evils; if it  
 “ do not act on profit, or other sources of income, it must act on  
 “ expenditure; and provided the burthen be equally borne, and do  
 “ not repress re-production, it is indifferent on which it is laid.

“ Taxes on production, or on the profits of stock, whether applied immediately to profits, or indirectly, by taxing the land or its produce, have this advantage over other taxes; that provided all other income be taxed, no class of the community can escape them, and each contributes according to his means.

“ From taxes on expenditure a miser may escape; he may have an income of £10,000 per annum and expend only £300; but from taxes on profits whether direct or indirect, he cannot escape; he will contribute to them either by giving up a part or the value of a part of his produce; or by the advanced prices of the necessaries essential to production, he will be unable to continue to accumulate at the same rate. He may, indeed, have an income of the same value, but he will not have the same command of labour, nor of an equal quantity of materials on which such labour can be exercised.

“ If a country is insulated from all others, having no commerce with any of its neighbours, it can in no way shift any portion of its taxes from itself. A portion of the produce of its land and labour will be devoted to the service of the State; and I cannot but think that unless it presses unequally on that class which accumulates and saves, it will be of little importance whether the taxes be levied on profits, on agriculture, or on manufactured commodities. If my revenue be £1,000 per annum, and I must pay taxes to the amount of £100, it is of little importance whether I pay it from my revenue, leaving myself only £900, or pay £100 in addition for my agricultural commodities, or for my manufactured goods. If £100 is my fair proportion of the expences of the country, the virtue of taxation consists in making sure that I shall pay that £100, neither more nor less; and that cannot be effected in any manner so securely as by taxes on wages, profits, or raw produce.”

The Author's subsequent observation on on this head however is as follows.

“ To simplify the consideration of this subject, I have been supposing that a rise in the value of raw materials would affect, in an equal proportion, all home commodities; that if the effect on one were to raise it 10 per cent. it would raise all 10 per cent.; but as the value of commodities is very differently made up, of raw materials and labour; as some commodities, for instance, all

“ those made from the metals, would be unaffected by the rise of  
 “ raw produce from the surface of the earth, it is evident that  
 “ there would be the greatest variety in the effects produced on  
 “ the value of commodities, by a tax on raw produce. As far as  
 “ this effect was produced, it would stimulate or retard the export-  
 “ ation of particular commodities, and would undoubtedly be  
 “ attended with the same inconveniences that attend the taxing  
 “ of commodities; it would destroy the natural relation between  
 “ the value of each. Thus the natural price of a hat, instead of  
 “ being the same as a yard and a half of cloth, might only be of  
 “ the value of a yard and a quarter, or it might be of the value of a  
 “ yard and three quarters, and therefore rather a different direc-  
 “ tion might be given to foreign trade. All these inconveniences  
 “ would probably not interfere with the value of the exports and  
 “ imports; they would only prevent the very best distribution of  
 “ the capital of the whole world, which is never so well regulated,  
 “ as when every commodity is freely allowed to settle at its natural  
 “ price, unfettered by artificial restraints.”

With respect to a Tax on Profits, Mr. Ricardo observes, that “ a  
 “ partial tax on profits will raise the price of the commodity on  
 “ which it falls; a tax, for example, on the profits of the hatter,  
 “ would raise the price of hats; for if his profits were taxed, and  
 “ not those of any other trade, his profits, unless he raised the  
 “ price of his hats, would be below the general rate of profits, and  
 “ he would quit his employment for another. In the same manner,  
 “ a tax on the profits of the farmer would raise the price of corn;  
 “ a tax on the profits of the clothier, the price of cloth; and if a  
 “ tax in proportion to profits were laid on all trades, every com-  
 “ modity would be raised in price.” After some further remarks  
 Mr. Ricardo comes to the following conclusion. “ If it be agreed,  
 “ that by taxing the profits of one manufacturer only the price of  
 “ his goods would rise, to put him on an equality with all other  
 “ manufacturers; and that by taxing the profits of two manufac-  
 “ turers, the prices of two descriptions of goods must rise, I do not  
 “ see how it can be disputed, that by taxing the profits of all  
 “ manufacturers, the prices of all goods would rise, provided the  
 “ mine which supplied us with money, were in this country and  
 “ continued untaxed. But as Money, or the standard of money,  
 “ is a commodity imported from abroad, the price of all goods

“ could not rise ; for such an effect could not take place without  
 “ an additional quantity of Money, which could not be obtained in  
 “ exchange for dear goods. If, however, such a rise could take  
 “ place, it could not be permanent, for it would have a powerful in-  
 “ fluence on foreign trade. In return for commodities imported,  
 “ those dear goods could not be exported, and therefore we should  
 “ for a time continue to buy, although we ceased to sell, and  
 “ should export money or bullion, till the relative prices of com-  
 “ modities were nearly the same as before. It appears to me ab-  
 “ solutely certain, that a well regulated tax on profits, would  
 “ ultimately restore commodities, both of home and foreign manu-  
 “ facture, to the same money price which they bore before the tax  
 “ was imposed.”

Mr. Ricardo was of opinion that fair Taxation can be effected in no manner so securely as by Taxes on Wages, Profits, or Raw Produce. To Taxes on Wages, whether direct or indirect, he, and other writers on Taxation, have raised objections ; but such objections apply more to Taxes on Wages imposed on them exclusively, as a medium for diffusing Taxation indirectly over all Classes, than to a Tax on Wages imposed like a general Income Tax, in common on them with all other sources of Income ; from his observations on the two other subjects of taxation, it would appear that he was favorable to Taxation on Profits ; but it does not seem that, in speaking of a Tax on the Profits of all Manufactures, he contemplated a general tax, which as an Income Tax, should include Profits and Incomes of all descriptions ; following however his reasoning, the conclusion appears more decisive in favor of a Tax laid on so comprehensively and equally as should not raise prices or compel one description of Income to seek reimbursement from or shift any part of its Tax on another.

An opinion has been held, that it is best as a general principle in raising Taxes from Produce, to impose them in the latest possible stage when the commodities and articles manufactured therefrom are in their most finished state, as being then taxable according to their value after all the requisite cost, labor and skill have been bestowed on them. It may be asked, does not this principle most strongly recommend the Income Tax which defers its operation until the very last stage after the Proceeds of all Articles have been

converted into Rent, Profit and Wages, viz. into Income, that surest standard of the real value of them in the aggregate, that infallible evidence of the real value of them to every individual producer or owner, and therefore the most just basis of Taxation.

*Equality of a Tax on Income not dependant on any other Process affecting Income.*

To tax the Profit of one or a few Trades exclusively may be nearly the same in effect as to tax the Commodities themselves from which the profit arises ; in partial taxation, whether Produce or Profits be the exclusive object, Taxes must be considered as advanced by one class in behalf of all classes ; and as the Advancers are to be reimbursed, Prices must be the medium ; but when all classes are taxed on their Profits or Incomes, no such advance of taxation exists, every one pays directly for himself, the equality of such taxation does not depend on any other Process through which Income accrues and on the precarious contingency of a level which when advanced by one class it has to create and maintain as well as it can among all classes ; Taxation is divisible in the first instance and at once among the whole community by a just and equal imposition, and any ulterior adjustment among the different classes is not required. Whether the Mine which supplies the Money or the Standard of Money adverted to by Mr. Ricardo, be in this country or abroad is of immaterial import.

*Upon the Fall of Prices of Commodities, to an adequate extent, on the substitution of an Income Tax for Taxes on Commodities.*

Some might entertain apprehensions that if an Income Tax were imposed in lieu of other Taxes prices would not fall in proportion to the Taxes taken off or to the rise which those Taxes have created ; but it appears that the fall would necessarily take place in that degree. Taxation and Prices being then distinguished and separated, and no longer forming parts of the same payment but each being taken directly and distinctly from every payer, prices could not keep up beyond their natural level. As the money paid for a Tax on Income is paid direct to the State by every payer, and is not advanced by the Producers of Commodities, there would not be any necessity on the part of the Producers for an increase of



prices or any means on the part of the Consumers to pay such an increase—the latter could not pay a Tax to the State and again to the Producers; as then individuals could no longer expend that part of their Income which the Tax would take from them, prices must sink in proportion to the diminution of their aggregate expenditure; a Tax on Income would take from them less than taxes on their Expenditure would take, to the amount, 1st. of the difference in the expence of Collection, and 2nd. of the Excess of increase of Prices beyond the taxes on Expenditure, to which amounts they would have virtually a greater aggregate Income to expend, and it is not conceived that the Producers would gain any undue advantage over the Consumers in their expenditure of this increase of their Income. Producers in lowering prices would naturally guard against any disadvantage to themselves; if the change gave at first to the Producers any advantage, it would soon be levelled; if the profits of Trade and Agriculture increased, the community at large would quickly participate of the benefit. It is also to be borne in mind that the Producers, taken in the most extended sense as comprehending the whole of the Trading and Agricultural Classes, and as the Receivers of all those Rents and Profits the amounts of which depend on the rates of Prices, form the principal part, equal probably to four-fifths, of the whole body of Consumers, the advantage gained (if any) would then be chiefly at their own expence.

Many persons complain that the prices of some articles, the taxes on which have been repealed or reduced since the war, have not fallen proportionably to the sum of taxes taken off from those articles; a tax may be removed from any particular branch of trade or agriculture more for the purpose of relieving it in the depression it may be under than for the sake of the community at large, the profit absolutely necessary for maintaining it may not have been attainable, the removal of the tax may then for a time give a greater relief to the Trader than to the Public; if the full abatement of price expected on the reduction of a tax does not in time take place, the circumstance may be adduced as confirming the opinion before adverted to, of the reciprocal effects of numerous Taxes on Commodities, that when the price of one article is raised by a Tax the prices of other articles are thereby in time increased. If a Tax

on any article be taken off or reduced, the price of it may not fall proportionably; until a general repeal of such Taxes or a far greater reduction of them be made than has yet taken place, the total relief due to the public at large may not be wholly received or it may not be fully obvious; on the reduction of the tax on any article the whole relief gained may not arise from a proportionate fall in the price of that particular article, the relief may be partly obtained from a consequent fall in the prices of other articles. If the effect be not, as now surmised, but if it be that the evil or benefit produced by an increase or reduction of any one of the present Taxes is felt more particularly by the class concerned in the production of the article charged with or relieved from the Tax, and that it does not extend beyond that part of the community at large which uses or consumes it, there arises a degree of partiality which would be obviated by a Tax on Income, this Tax would operate, in case of an increase or decrease of its amount, simultaneously and instantly in a due degree throughout the whole community; whatever sum of Taxation were added or repealed, the effects would, by the necessary increase or reduction of the rates of charge on all Incomes, be spread at once and every where proportionably, and no classes or individuals would be burthened or relieved, even temporarily, while others were not similarly and equally affected.

*Inequality irremediable under Taxation on Commodities but avoidable under a Tax on Income.*

An important consideration arises from the different qualities of the two systems of Taxation under contrast; an Income Tax may in the course of time, by gradual improvement in its plan, which it is capable of, and which can be applied to it as experience and practical knowledge acquired in the execution of it disclose it in all its bearings, be brought to a great degree of equality in spite of the attempts of wilful evaders; but any improvements of the plan of Taxation on Expenditure and any methods or regulations to prevent its partial effects cannot advance it to so near a degree of equality: its basis is radically bad, and no remedies can cure its naturally unequal tendency: wilful evasion of it also to a great extent cannot, it seems, be by any measures whatever prevented.

A sufficient approximation, under an Income Tax, to any requisite degree of distinction either between different species or between different amounts of Income (so far as any such distinction shall be considered equitable and expedient) may be attained by Scales of Charge graduated according either to the value or to the amount of individual Income, or to both, which are determinable with sufficient precision in general for the purpose, and whatever the scale of charge may be it will conform itself to whatever changes Income may undergo, ever preserving all kinds of Income in their proper relation to each other, thus manifesting that flexibility which is a most desirable quality of Taxation, but which a Tax on Income possesses in a much greater degree than Taxation on Expenditure.

*The Difficulties of Taxation much diminished by the Equalization of an Income Tax.*

Considering one of the evils of Taxation to be the difficult and embarrassing situation in which the Legislature and Government are placed by it with the different branches of the Agricultural and Trading Classes of the community, it may be observed that the difficulties appear greatly increased from the impossibility of adjusting the present Taxes in such a manner as to prevent that conflict of interests arising, together with much discontent, as each interest is affected or conceives itself affected by Taxation, beyond the due and expedient degree, placing it in a state of disadvantageous competition both in foreign and domestic commerce, that there is therefore the constant necessity of modifying those Taxes and regulating the operation of them with a view to abate the inequality and other bad effects of them. But if Taxation can be made to fall at once equally, and to vary as the means to contribute to it vary, not only as respects the Incomes of persons taken individually, but as respects the numerous sources of Income and the numerous classes of persons producing it, taken aggregately, varying of itself in this manner without the necessity of constant legislative adjustment and regulation of it, and if that equality and that variation can be rendered obvious and sensible to all, the difficulty of Taxation in these particular respects would be very

greatly reduced. It is presumed that an Income Tax is not only capable of producing that equality and that variation more generally and effectually, but also of rendering such effects more visible and clear than any other system of Taxation, and as inequality more than any other effect of Taxation provokes dissatisfaction, the embarrassment and responsibility of the Legislature and of Government would be materially diminished.

*Protecting or Prohibitive Duties less necessary under an Income Tax.*

As the difficulties experienced by Government in adjusting equally and satisfactorily the Duties imposed on Foreign Articles of Commerce are increased, in as far as forming part of the public Revenue, it is Taxation carried beyond the degree to which Taxation is necessary for the protection of Agriculture and Trade at home, it seems extremely desirable to raise all further Taxation required for the purpose of a Revenue by distinct means, such as an Income Tax would most effectually afford: as some of the Duties on Foreign Importations are intended to countervail the effect on similar Home Productions of Taxes raised for the Revenue, it follows, if the Income Tax were imposed, those Duties would no longer be necessary. "Protecting Duties are not to be defended "when taxation is general and equally affects all classes of producers. An Income Tax is of this description, it affects equally "all who employ Capital, and it has never yet been suggested by "those most favorable to protecting duties that any would be "necessary on account of an Income Tax. Yet a tax affecting "equally all productions is precisely of the same description as an "Income Tax, because it leaves them after the Tax of the same "relative value to each other as before it was imposed; they do "not alter the relative value of Goods, and therefore they do not "subject us to any disadvantage in our commerce with Foreign "Countries. We suffer indeed the inconvenience of paying the "Tax, but from that burthen we have no means of freeing ourselves. A Tax, however, which falls exclusively on the producers of a particular commodity tends to raise the price of that "commodity, and if it did not so raise it the producer would be "under a disadvantage, as compared with all other producers;

“ he would no longer gain the general ordinary profits by the  
 “ Trade; by rising in price, the value of this commodity is altered  
 “ as compared with other commodities; if no protecting duty is  
 “ imposed on the importation of a similar commodity from other  
 “ countries injustice is done to the producers at home, and not  
 “ only to the producer but to the country to which he belongs.” \*

Unequal and unsteady effects on Prices are the sure consequences of protective Duties. It is impossible to impose protective taxation on various commodities so as to charge them at the rates at which they should be relatively taxed for the specific purpose of protection, or so as to answer that purpose at every period throughout all the vicissitudes of production. “ Prohibitions are a premium to mediocrity. They destroy the best incentive to excellence, the best stimulus to invention and improvement. They condemn the community to suffer, both in price and quality, all the evils of monopoly, except in as far as a remedy can be found in the baneful acts of the smuggler. They have also another of the great evils of monopoly, that of exposing the consumer as well as the dealer to rapid and inconvenient fluctuations in price.” †

A Tax on Income is but the transfer of so much Income from some to other classes of the Subjects of this Country. Whether the whole national Income be divisible between a less or greater number of individuals is immaterial to Foreign Countries. The Tax is raised within the Kingdom, among the Inhabitants themselves exclusively, and has no external operation or effect. Foreign Trade and Commerce may be carried on as freely as if there were no taxation whatever in this country. Whatever restrictions on Foreign Commerce may be absolutely necessary for other purposes than those of Public Revenue will become wholly unconnected with the general internal Taxation.

*Inequality of the present Direct Taxes, viz. Assessed Taxes, Land Tax, Stamps and Post Duties.*

The incapability of *indirect* Taxation on articles of consumption and use, to establish itself on an equal basis, appears also in *direct*

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\* Ricardo.

† Huskisson.

**Taxation imposed on articles of use.** With reference to the scales of charges made to the Assessed Taxes on Houses according to the number of Windows and amount of Rent, what degree of inequality may there not be presumed to exist in them when the amounts of the charges are compared with the means of the respective Occupiers on whom those Taxes are charged; the scales may be graduated as well as some general rule will admit, but under what rule and by what method, having equality of taxation on the Occupiers in view, can a just gradation be fixed and be durably maintained? Many Houses are not occupied solely for habitation, but in part for the purpose of trade and business; yet however various and fluctuating the state of these may be, the Taxes are exacted without any regard to them. With respect to the Taxes on the other articles of Assessed Taxes, Servants, Male Persons employed in Trade, Horses, Carriages, &c. they not only operate unequally, taking different classes or persons relatively, but, though some of them are more voluntarily incurred than indirect Taxes in general, there are peculiarities which distinguish them for hardship and inequality from the latter Taxes. 1st. The Excise or Custom Duties are paid by every Consumer at the same time that he purchases the article taxed, and as he cannot pay the price of the article without payment also of the Tax, he acquits himself of both together; but the Assessed Taxes on Establishments by their retrospective operation frequently fall on those who since their use of the articles rendering them subsequently liable to the Taxes, have become unable or less able to discharge them. This retrospective operation of the Assessed Taxes is contrary to one of the principal maxims of Taxation, "that every Tax should be levied at the time when it is most likely to be convenient to the party to pay it:" it may be assumed, generally speaking, that the time which is most convenient to an individual for incurring the expence of setting up or increasing an Establishment is most convenient to him for paying the Taxes on it; but the demand of the Assessed Taxes is not coeval with the period of keeping the Establishments for which they are charged, therefore they often fall inconveniently on the parties who from change of circumstances have been obliged to lay down or diminish their Establishments. 2nd. The increase of prices of articles of con-

sumption and use, arising from the Excise and other indirect Duties, is paid in proportion to the quantities of the articles used or consumed; but articles liable to the Assessed Taxes, if used for one month or even a single day, may cost as much in those Taxes as is chargeable for the use of them during the whole year; and if the period of keeping or using should partly precede and partly follow the commencement of the Tax Year (5 April), however short the period may be, though a month or a week only, the party is liable to the whole of two years Duties. Extreme cases of this nature may not always be pressed, but the liability is declared in the Acts and may be enforced, and the Assessed Taxes frequently do operate from the causes now adverted to in an unequal and hard degree.

The present Land Tax, though not a Tax expressly on Expenditure, but which at first was in its nature more of a Tax on Income, has from the continuance of the same aggregate quotas without variation according to those changes in the relative value of Properties in different Counties and Districts which have occurred during its very long duration in its present form (nearly 140 years), become one of the most unequal Taxes existing. It may be apprehended that the inequality of the Land Tax has been particularly unfavorable, that in places where Properties have been most improved and multiplied the original rate of charge has been most diminished, and that in places where Properties have been least improved or multiplied the rate has been least reduced; so that where the greatest relief has been needed the least degree has been experienced.

The Taxes or Duties under the denomination of Stamps, to which is added the Legacy Tax, do not from the plan of levying them seem capable of being fully regulated on the true principle by which all Taxation should if possible be governed, that is, of proportion to the means of the several Payers. Some of the Stamp Duties however appear to be governed by that principle as nearly as the mode of raising them admits of—being charged by progressive scales—but these scales are necessarily graduated according to the amount of the pecuniary payments made or of the value of Articles and Matters in respect of which the Duties are paid, and not in proportion to the individual means of the Payers, which

may generally have but little correspondence with the relative extent of their respective payments to those Duties or with the value of the Articles, &c. in respect of which the Duties are paid by them respectively. The Legacy Tax is raised with a considerable regard to the nearness in relationship of the Legatee; but the same rates of Duty attach in whatever condition or circumstances in life the several Legatees of the same relationship may be—the rich and poor pay at the same rate: the Probate Duty is paid in proportion to the total amount of the Property of the deceased previous to the division of it, without regard to the respective means of the individuals among whom the Property is afterwards to be divided and by whom the Duty is in fact borne.

With respect to the remaining branch of Public Revenue, the Post Duties, although it is the least objected to, yet it partakes of the imperfection of other Taxes on Expenditure—it cannot be levied with sufficient equality. So far as the charges made for postage are necessary to defray all expences, including the profit and compensation of the capital and labor employed, that is, the natural cost or price of the convenience or accommodation afforded to the Public, it may be just that all should pay alike for the same degree of it; but in as far as the charges exceed that natural price, and exact an artificial price, which is so much Taxation levied for the State, it is not Taxation levied according to the fundamental maxim of Taxation—the poor and rich pay at the same rate to the taxation of the Post. That the State has taken the management of the whole concern into its hands does not alter the nature of this part of the transaction, it is nearly the same as if it had been carried on for the Public without any further interposition of the State than the levy of a Tax on Letters in proportion to the actual cost and charge of conveying them. Though this branch of the Revenue is unobjectionable in the mode of levy, and the charges for postage may be considered light when compared with the extent and nature of the accommodation afforded, yet it may be said that the Public are taxed at a higher rate in respect of it than of any other necessary or convenience—the part which is Taxation is treble the amount of the part which is the natural price and cost of the convenience.



*Equitable Relief to Persons with large Families attainable under an Income Tax.*

It would seem to be a part of equality of Taxation that it should consist of some distinction favorable to persons having families ; On the principle that Taxation should be exacted in proportion to every one's ability to bear it, and as a man with a family to maintain is less able to bear Taxation than a man without a family, the former should be less taxed. Under a Tax on Income this distinction can be fully effected. It may be alleged against an Income Tax, that it takes away that part of an Income which a man would have saved for the maintenance of his children after his death, and against Taxation on Expenditure, that as a family occasions greater expence, it may not only take away that part of an Income which a man would have saved for his family, but it takes away more where there is a family than where there is none ; it may be conceived, that the number of those individuals whose Incomes enable them to save a part for the future provision of their families after their death is small in comparison with the number of those who can make no such saving, and who are obliged while living to expend all their Income on their families ; and that most of the former as well as all of the latter description would find, even were no abatement from an Income Tax allowed specially on account of Children, that it took less from them than Taxation on Expenditure exacted ; whatever may be the fact in these respects, it is a great recommendation of the Income Tax, that if Taxation ought to be lessened in proportion to the number of individuals who by natural right subsist on one and the same Income, as the Members of the same family, it will easily admit of such a relief ; but under Taxation on Expenditure there are no practical means for obtaining it.

*2nd. Procedure of Taxation.*

*On the Grounds of objection to the Procedure of Taxation on Expenditure, and of a Tax on Income respectively.*

The principal reason for selecting "*Procedure*" as one of the heads in a Contrast of the two different systems of Taxation under consideration is, that the chief objection to the late Property Tax arose out of its manner of proceeding ; but it is conceived that in

making the Contrast it is fair to advert not merely to such proceedings or means and methods as the Acts of Parliament expressly direct or authorize for ascertaining and levying the sums due to Taxation, but to other processes or operations of the Taxes which affect the interests as well as the personal feelings of the individuals taxed, although any such procedure may not be the subject of legislative enactments, but may arise incidentally in the progress of the Tax itself, and be the indirect rather than the direct effects of it.\*

Notwithstanding the prejudice which some part of the proceedings of the late Property Tax excited against it, it is conceived, having regard to the modifications of which the former plan of it may be capable in this respect, and which are submitted in the Second Part of this Work, that on comparing the proceedings of an Income Tax with those of Taxation raised through Expenditure, not only so far as individuals are personally exposed to them, but as they operate in other ways upon their respective Concerns and means of livelihood, that the procedure of an Income Tax would certainly be upon the whole the least objectionable. When complaints are preferred against the proceedings of Taxation they may not on every occasion be candidly made: the real motive may not always appear; it may sometimes be attempted to get rid of the burthen of a Tax by decrying the procedure, the real objection may be rather to the payment than to the means used for obtaining it, though the latter may be the sole subject of complaint. If however the procedure obstructs or lessens the means of acquiring Profit, and operates also in that way partially by falling on some sources of Profit more than on others, the complaints may be preferred on just grounds, in as much as there is a pecuniary loss occasioned by the mode of raising the taxes which is different in kind than Taxation intends and greater in amount than Taxation gains: a sum is not only taken away by Taxation but the means of fully restoring it are obstructed; such may be the grounds of com-

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\* A Tax may operate injuriously in the progress of any Trade, without subjecting the Trader himself personally to any proceedings of an obnoxious nature, or a Tax may be obnoxious to him personally without affecting his Trade.—Both operations may take place in the same case, or either of them may occur without the other.

plaint against the procedure of some of the present Taxes ; but if as by an Income Tax taxation exacts from clear Profit only, and not until after the Profit has been acquired, and then from each sharer in proportion to his share, and no more directly or indirectly than is applied to the purposes for which Taxation is raised, the proceedings may not be a just, and though the avowed, not always the real cause of dissatisfaction ; if they are carried to an obnoxious length they may most generally be the merited consequences of wilful evasion or of non-compliance with indispensable requisitions, and may hardly ever fall on those wholly undeserving of them. Neglect and omission which occasion unpleasant proceedings in Taxation may not in every case arise from determination to commit fraud ; but as the liabilities and requisitions in respect of long established or of plain and intelligible taxation are or should be known and attended to, the intention can be judged by the act only, or be ascertained by the result of proceedings : the plea of ignorance or inadvertence is often unreasonably set up as a sufficient answer to proceedings which are not less unreasonably deprecated in such cases as unnecessary and oppressive.

If the proceedings of a general and effective Income Tax could not by any alterations of its former plan be rendered much less objectionable than they were alleged to have been under that plan, it may nevertheless be contended that they still would be not only less injurious to the concerns themselves in which individuals are engaged, but on the whole not more obnoxious as regards individuals personally than are the various proceedings by which Taxation is raised from Expenditure.

The surveys of the quantities and qualities of Stock and Goods, the regulations which by their interference with, impede or divert the operations of Manufactures and Trade,\* the numerous checks adopted for the sake of security and prevention, the restrictions, requisitions and forms attending them, the searches made at discretion and every where, even in private dwellings and on the person

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\* A periodical Publication (*Edinburgh Review*, June 1829) has, in the instance of the Malt Tax, fully described such procedure of Taxation on Commodities as interferes with the free operations or process of Manufactures and Trade.—Extracts from the Article alluded to are inserted at the end of the Appendix of this Work.

itself after Contraband Goods, and where there is but the bare possibility or slightest suspicion of any concealment of them, are proceedings of the present mode of taxation which may, when strictly viewed, be regarded as more vexatious and harrassing than those which in the way of investigation into some kinds of Income may be necessary for obtaining due assessments to a direct Tax thereon, particularly when it is considered that many of the former take place of course and are necessarily unintermitting, that all by whom the Taxes are advanced or directly paid are systematically subjected to them however free from evasive intention or the suspicion of it, but that the latter may be confined to cases of actual fraud or evasion, or to those affording strong and justifiable ground for suspecting it, these do not take place constantly and of course, but occasionally only, and though particular cases of obstinate repeated evasion may require the repetition of them, they may but seldom recur in the same case, and under proper regulations to prevent abuse of official power and authority they may be avoided by almost every honest individual, very few only may be subjected to them, and scarcely any who have not brought them on themselves. The extent of Profits and the state of Trade, &c. of most individuals can be tolerably well estimated by their neighbours, among whom are those whose duty it is to charge them, and if they make fair Returns scarcely any of them need be apprehensive of undergoing a scrutiny.

In what a *variety* of ways also do the present diverse modes of Taxation require attention to them, imposing on the community at large different obligations and duties which are constantly to be repeated and borne in mind, some of which are of an intricate nature, and from the non-observance of them persons are frequently involved in unpleasant proceedings: and what a contrast to this multifarious and complicated system does the plain and simple obligation of returning the Amount of Income present; once a year, or once in a period of years, a fair Return of Income is required, and it is all the trouble which the procedure of the Tax may occasion—and even this proceeding may not be requisite with respect to the largest portion of Contributors, from whom the Tax may be deducted without the necessity of any Return from them or of any act on their part.

*On the Exposure of Private Affairs attributed to an Income Tax.*

Much stress has been laid by the opponents to an Income Tax on the exposure to which they allege that it subjects the affairs of Trade, but it may be observed that persons who do not carry on trade speculatively but prudently, in a way most sure and advantageous to themselves as well as to others connected with them and to the general interests do not dread an exposure of the state of them. But few Concerns in Trade are necessarily hazardous. “ Merchants engaged in hazardous projects of trade all tremble “ at the thoughts of being obliged at all times to expose the real “ state of their circumstances, the ruin of their credit and the “ miscarriage of their projects they foresee would too often be “ the consequences. A sober parsimonious people who are stran- “ gers to all such projects do not feel they have occasion for any “ such concealment.”\* It was asserted that some persons returned to the late Property Tax more than their actual Profits, in order to conceal the real state of their concerns, but this was probably a mere assertion; if there were any such instances they were doubtless very rare, and they might be regarded as artifices to deceive, the self-inflicted cost of which might not have been wholly undeserved. It might be doubted whether the feeling against publicity of Income did not in some cases proceed from the apprehension that when Taxation was to be taken from Income, and proportionately to the amount of it, publicity would prevent or disclose that evasion which there was a disposition in those cases to commit; but few of the persons readily paying their full contributions had reason to fear that any vexatious investigation into and exposure of their affairs would take place. Investigation may, during the course of the late Tax, have been applied to some cases found in the result not to have required it, but it may be surmised that if those to whom the execution of that measure was entrusted had defended it against every complaint, that defence would have involved such recriminations as would have shewn that the feeling expressed against those proceedings was generally excited less by any reasonable objection to them than

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\* Adam Smith.



by their defeat of attempted evasion, less by the means used to ascertain the due sum of contribution, than by a disinclination to the payment of it. Injurious consequences of publicity (if any are actually experienced from it) may be confined principally to concerns in an insolvent or unprosperous state, the concealment of which often enables the parties longer to carry them on, terminating perhaps in worse consequences to themselves and all others connected with them, and though, however desirable it might be in such cases that the real state of them should be sooner made known, the operation of a Tax may not be the proper means for it, yet it does not follow that the proceedings have been or would be attended, in such cases, with a publicity which would not otherwise have taken place. At the same time it may be observed, that in case of an Income Tax limited to an inconsiderable amount, any general inconvenience occasioned by investigation into Profits may not be balanced in degree by the benefit arising to the Revenue from greater productiveness, and to the Community from equalization, (two most desired effects, the more important as they often assist each other), but if the Scale of the Tax were to be considerably raised, the benefit to the Revenue of investigation would be enhanced, though any inconvenience arising from it would not be increased to the parties. The nature and extent of checks against evasion may greatly depend on the magnitude of the Tax—what under a low rate of it may be felt as unnecessarily vexatious, a high rate may render indispensable and reconcileable.

It is however due to the late Property Tax under this head to state, that from the mode in which that Tax was raised, where a person's Income arose from more than one source, or in more than one place, and also in many other cases, there was hardly ever a necessity for an inquiry into its aggregate amount; that the Rent and the probable or usual Profit from Land being generally known, any exposure of the amount of Income of that description could very seldom have been owing solely to the operation of the Tax, more particularly as in respect of the Occupier's Profits the actual amount was not inquired into. Income from the Funds or Public Employments was hardly in any cases exposed by means of the Tax. It was observed, after the cessation of the Income Tax and on

the passing of the first Property Act, (1803) that "the principle of the  
 " Income Tax, as the word Income seems to imply, is an impost on  
 " that portion of Property annually acquired which remains at the  
 " discretionary disposal of the ultimate Proprietor.—On this idea  
 " the Income Tax was formed.—It called upon the ultimate Pro-  
 " prietor to account for that portion of his Property from all and  
 " whatever sources it was derived. The present measure must be  
 " considered as a Tax on the first produce, gradually subsiding  
 " itself into a Tax upon the Income of the ultimate Proprietor,  
 " affecting in its immediate object the hand which acquires, but  
 " extending by direct motion to the hand which converts the  
 " Income so acquired—Instead of the Landlord and the numer-  
 " ous Claimants upon him in succession, it looks to the Occupier  
 " of Lands only—Instead of the Creditor, it looks to the Fund  
 " from which the Debt is answered—In the place of a complicated  
 " account collected from the various sources from which the In-  
 " come of an Individual may be derived, it applies to the source  
 " itself to answer for its increase. By these means its object is  
 " attained with more facility and certainty, and with less intricacy  
 " and disclosure, diminishing the occasions of evasion by the  
 " means of execution." The charge of exposure had a reasonable  
 or colourable ground so far only as it might have applied to the  
 investigation of affairs in Trade; but any disclosure of those affairs  
 was made to the few only who had the authority to investigate, it  
 is not apprehended that it amounted to publicity, or that in any  
 case inconvenience was really experienced from the partial dis-  
 closure made for the purposes of the Tax. All Officers and per-  
 sons taking parts in the execution of the late Property Act were  
 bound by oaths of secrecy, and it is not believed that oaths were  
 violated. If the powers of the Officers in compelling disclosures  
 or in other proceedings were not sufficiently restricted by that  
 Act, they could be so in a future Tax and perhaps without any  
 danger to the Revenue; the late measure was a temporary one, and  
 therefore did not undergo all the improvement it was capable of.  
 It may however be alleged that the imputation cast against an  
 Income Tax as the cause of exposure of private affairs is fully  
 applicable to the proceedings of some part of the present Tax-  
 ation, which sanctions inquisitions and may occasion exposures

to which the parties subjected to them may be strongly averse, though time and habit may in some degree have quieted opinion and feeling with respect to them. The Surveys under the present system of Revenue for the purpose of ascertaining Stock in Trade, subject, it is conceived, the parties to as much publicity of the state of their respective concerns as investigation into their Profits; and taking the Community at large as unconnected with Trade, investigation to ascertain Income cannot be more inquisitorial than the requisitions of details of Property and private circumstances for the purpose of collecting the Legacy Tax.

*On a particular public Advantage of the Exposure of Income  
for the purpose of taxation.*

Admitting however the plea of exposure of affairs in case of an Income Tax to be entitled to much regard; should it wholly pre-dominate against every public consideration? Should the maxim "that private convenience must yield to public good" on which individuals are constantly being subjected to inconveniences in private life, be regarded as of inadequate weight on this occasion only? Besides the necessity of obtaining a knowledge of individual circumstances where it is indispensable for equalizing a Tax laid on the means to contribute, it may be asked, as complaints are constantly being made of excess in the payments to Public Creditors and many Public Servants, and propositions are seriously put forth for greatly reducing them, whether it may not be essential to ascertain what the Public itself can afford to pay. If it be expedient, as at this juncture frequently happens, to reward the services of meritorious Public Servants, less by a regard to their real value than to the public means to compensate them; also if, as some think, the public Creditors are receiving more or that they should be satisfied with less than their full due, and if it be just and expedient under such circumstances that there should be a knowledge of the real extent of the Public Means, such knowledge can be satisfactorily obtained only by ascertaining the amount of all Incomes either from the individual possessors, or, in the manner adopted under the late Property Act, as just described, that is, at the sources of Income: and that knowledge might afford facility and certainty in regulating honorably the Public Expenditure as well as in providing fairly the Revenue to meet it.



*On the Disadvantages of Concealment in the operation of Taxes.*

From the greater difficulty of satisfactorily tracing the intricate procedure and ascertaining the effect of Taxes advanced out of Capital and repaid by Expenditure after numerous ramifications and a progressive increase of expence and risk to those who have advanced and in the interval have borne the weight of them, erroneous impressions and imputations respecting them arise; a decline in Trade and Agriculture, or in any branches of them, arising wholly or principally from other causes than Taxation, is often imputed to it solely or in a greater degree than is justly attributable to it; though the injuries or inconveniences arising from Taxation on Commodities to the various concerns and dealings in life may really be great, they are from the complexity of its machinery, from its intermixture with the operations by which Income is produced, often misconceived and exaggerated, and these evils of confusion and prejudice are increased from the greater dependance of indirect Taxation on other parts of the general process of affairs in Commerce, Trade, &c.; As then the effects of indirect Taxation, connected as it is with the progress of Production and with the prices of all articles produced, and affected as these are by other causes, become involved in so much complication and uncertainty as must render more difficult the due legislation and government not only of Taxation but of whatever is thus connected therewith, it may be confidently submitted whether the simple, plain and direct plan of a Tax on Income, free or more free as the operations and procedure of it are from any complex intermixture with other transactions, would not place Taxation on a more comprehensible basis, and greatly facilitate the management of it. As in the opinion of some, any defects or errors in legislative regulations relating to the Currency, to Agriculture and to Commerce in general occasion greater evils than any which Taxation can inflict, there appears a stronger urgency for such a plan of Taxation as will more clearly disclose the extent of its own operation and effects and release Taxation from unjust exaggeration in those unqualified imputations cast by many against it of evils which do not altogether proceed from it.\*

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\* The wide differences of opinions on the effects of Taxation may appear extraordinary; for instance, it has been held by some, that whatever Taxes are imposed on Wages must in the end fall almost wholly on Rent and Profits; by others,

That the present Taxes are so much involved in the Prices of Commodities is, on the whole, a disadvantage which it seems desirable that Taxation should be clear from. As Prices depend in a great degree on the extent of the circulating medium, and as other measures than Taxation affecting the circulating medium will also affect prices, so there appears the greater reason to withdraw Taxation from among other causes operating on them, and to leave them to be governed by those effects and circumstances only on which they should more naturally depend; and as there is extreme difficulty of legislating so as to satisfy all classes, of benefiting some without injuring other interests, it seems that one of the advantages of withdrawing Taxation from connection with Prices, and of restoring them to their natural course, would be the clearer view gained of the operation on Prices of those other causes which affect them and which it is most important clearly to develop.†

As the value of whatever right to or share of the aggregate Production of every kind each individual possesses or acquires may be most accurately distinguished if resolved into what is generally known under the term *Income*—as this share of the general fund or means of subsistence, comfort, and enjoyment, is more perfectly measured and represented by Income than by any other standard, so Income is the only infallible criterion of the relative individual ability to bear taxation. As a principle, it seems right

that every Tax, however it may shift itself, falls ultimately on Wages by diminishing the demand for labour; some are of opinion that a Tax either on the Profits or on the Produce of Land falls ultimately on Rent, that it shifts itself from the Occupiers or Consumers to the Landlord; others that a Tax on Rent falls wholly on Profits, or the Produce, shifting itself from the Landlord to the Occupiers and Consumers. Many other such differences of opinion may be adduced:—The following quotations are from two most eminent Writers on Taxation.

“ Taxes upon the Produce of Land are in reality Taxes on the Rent, and though “ they be originally advanced by the Farmer are finally paid by the Landlord.”—(*A. Smith*).

“ A Tax on Raw Produce would not be paid by the Landlord, it would not be paid “ by the Farmer, but it would be paid for in an increased price by the Consumer.”—(*Ricardo*).

† Four causes, besides Taxation, of an increase of the price of Articles, may it seems be adduced, viz.—1st. A deficient supply.—2nd. An increased demand.—3rd. Increased cost of production.—4th. A fall in the value of money.—The degree to which Taxation on Commodities and any other cause operating together with it, may respectively raise the prices of them cannot then possibly be distinguished.

to Tax certain Income rather than the uncertain sources of it; after having been acquired than while in the course of acquisition; that the end rather than the means should be the guide; Taxation on Income is simple, it forms but a single object; Taxation on Income according to its individual amount is justice, clear, intelligible and undeniable, but the Articles on which Taxation through Expenditure is imposed, are most numerous and of various kinds, they cannot as before observed constitute a relative standard of taxation uniformly just; if even the rates of the different Taxes imposed on articles of consumption and use could be so adjusted as to be most impartial in their operations on the respective funds or sources whence the articles are supplied, and also in their effects on the community in general among whom the articles are distributed, the impartiality of such adjustment would from the intricacy of the process be less demonstrable or indisputable than the fairness of equitable Taxation on Income; while there is subject of doubt and dispute, complaints of the evils of Taxation whether real or imaginary, will be more sure to arise, they will be less satisfactorily answered and the cause be less easily remedied: the prevention of such a consequence as this, if it were no more than the avoidance of an evil merely imaginary, is a most desirable object.

It is not wished to be understood from these observations that the effects of a Tax on Income will be perfectly distinguishable from those of other causes operating on Income, and that the effects of the latter might never be wrongfully imputed to the Tax--the direct effect of an Income Tax, that is, the sum which it takes from each Contributor to be paid over to the State is "clear" and plain to him" and may be made so "to every other person;" every individual may not only know what himself pays, but there is the possibility (which perhaps in strict justice there should be, whatever other motives may adduce to the contrary) of his satisfying himself as to what any other Contributor pays,\* the extent of the direct effect on every individual and every class being known, the indirect effects can be judged of with less doubt

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\* Adam Smith, lays it down as one of the Rules of Taxation that "the quantity to be paid ought to be clear and plain to the Contributor *and to every other Person.*"

and probability of error than under Taxation on Expenditure, where there is hardly any clue for tracing the extent of them.

The effects of an Income Tax may be indirect, where it may operate as abstraction of Capital in cases of Persons who, though paying to it directly no more than their due shares, would have applied the same or part as productive Capital if the amount had not been taken as a Tax; then, as other causes than the Tax may be operating at the same time against Capital and Profit the effect of those causes may sometimes erroneously or in an undue degree be imputed to the Tax.

Though under a Tax on Income, a Tenant pays the Tax for his Landlord and deducts it from him, yet the Income of the Landlord has accrued in the hands of the Tenant before the Tax is paid. The Tenant pays that Tax as a private Agent and in proportion to the amount—he does not advance it as a Producer advances the present Taxes with the uncertainty of being duly reimbursed or compensated for it; the mode of payment to the Income Tax by one person through the hands of another is not a concealed operation, and it does not recognize any loss or gain therefrom to either party.

*On the Advantages of Concealment in the operation of Taxes.*

It must be candidly admitted that indirect Taxes, being concealed in the prices of Articles in respect of which they are collected direct from Merchants, Manufacturers, &c. who advance them, are obtained from the numerous ultimate payers of them without that degree of feeling and difficulty which sometimes attends the direct collection of a Tax from each Contributor personally. It may however be observed, that if the amount of the indirect Tax and the consequent increased price of the article beyond the Tax could be distinguished from the former price, and a separate demand and payment were made of them on each purchase, the feeling against Taxes thus affecting the supply of constant wants would be under more general and constant excitement than against a Tax which is levied from the Payer, not in proportion to his wants, but in proportion to his means. The payment of an indirect Tax is an unavoidable consequence of every disbursement, it is an inseparable and an almost imperceptible part of it; the direct Tax requires a pecuniary reservation to be made for the

periodical demand of it, though to an amount much less in general than an equal sum of indirect Taxes would during the intervals of such demands have exacted through expenditure; but under an equitable Income Tax, imposed according to the ability to pay, that reservation should be easily made, particularly as from the abolition of other Taxes the intermediate greater deprivation of pecuniary means would cease, and if the payment of such a Tax were attended with inconvenience, want of prudence would in general be the occasion of it.

The prejudice against the collection of a direct Tax would not however occasion any difficulty in that part of the Income Tax which would be obtained by deduction, avoiding the personal payment of the Tax to the Collector and the necessity of any reservation on the part of the individuals from whom the deduction would be made.

But though the disguised and quiet way in which Taxation through Expenditure can be obtained from the community at large may be generally considered to be the great advantage of it, is it unquestionably the sounder policy that Taxation should be kept out of sight, that there should be no open and direct contact between the Tax Payer and the Tax itself, that a person should overpay to Taxation rather than that he should know and see what he pays, or rather than that any one should be called upon personally to settle and distinctly to pay the fair amount due from him; is such a policy founded on any just and well founded apprehension of the disposition or feeling with respect to Taxation of the generality of Tax Payers? If this however be the politic ground for raising Taxation indirectly, may it not be the infliction of a greater evil for the prevention of a less? Can the open proceedings of direct Taxation be more dangerous or mischievous than the secret and undermining operation of indirect Taxation? Is not the apprehension of meeting Taxation in the face the cause of its being imagined to be more formidable than it really is? Is the evil really greater and more to be dreaded

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\* How common it is to find lamentations on the partial distresses and depressions which this Country is frequently subject to, terminate in the assertion that there is no remedy or relief for it while "it groans under such a load of Debt and Taxation," at the same time, the Debt and Taxation may occasion but in an inconsiderable degree the lamented state of circumstances.

because its course is visible, or is the mischief less pernicious because its progress and effects cannot be accurately discerned? Is not the concealment of the procedure and actual effects of indirect Taxation the real cause of more dissatisfaction and complaint than the operation of it, if fully disclosing its consequences would create among a community well disposed in general to whatever is obviously just and necessary? Does not the concealed operation of indirect Taxation also give a great advantage to the opposition of those who, some from selfish and some from political motives, are hostile either to the payment of Taxation itself, or to the purposes of it, or to Government or the Authorities under which it is conducted, and while there is some ground for the statements made by them of the evils of Taxation, does it not preclude the full exposure of their exaggerations of those evils? Would not a fair and equitable Tax on Income, taken openly and directly from every one according to his means, remove in a great degree the fallacies and prevent the confusion and prejudices existing under the present various systems of Taxation, and establish the different classes of society on a fair footing and perfect understanding with each other? Admitting, however, for the sake of pursuing the Contrast, that Taxation on Expenditure possesses, from the indirect mode of obtaining it, an advantage over a direct Tax on Income, so far as regards the ultimate payers of it, it may be observed that the comparative extent of this advantage may be less than is generally conceived. A great part of the Income Tax has the advantage of that quiet and easy collection which recommends indirect Taxation: about three-fifths of the Income Tax is attainable without direct collection, but by way of deduction from the parties from whom it is due, without the requisition of any personal act on their part and as easily as any of the present Taxes are obtained indirectly from the ultimate payers of them; the Tax on Incomes derived from the Revenue is attainable with a facility and security, also with a freedom from obnoxious proceeding which no part of the present mode of Taxation is capable of. The Tax on the Incomes of the Occupiers of Land and of Traders, &c. (amounting together to nearly two-fifths of the whole of the Tax) must be obtained direct from the parties from whom it is due; but the mode of proceeding to assess and collect it from the former could

hardly be felt as obnoxious (and it was not complained of as having been so under the late Act,) nor might the proceedings with respect to Trades and Professions (the Tax upon which would be about one-fifth of the whole) if restricted in some manner according to the modifications offered in the Second Part of this Work, be of an obnoxious or vexatious nature; if attempts at gross, determined and constant frauds should render any such proceedings absolutely necessary (and the resort to them might be limited to such palpable cases) they could not reasonably be objected to, particularly when it is considered they would be to protect the honest contributors from the acts of such obstinate, wilful evaders as deserved no lenity.

*Probable Effects on Funded Property and on Trading and other Capital if an Income Tax be substituted for the present Taxes.*

Taking the Agricultural and Trading Classes as Capitalists or Producers, the Contrast between the two systems of Taxation may be tried by the maxim in Taxation that "Taxation falling on Capital is more injurious than Taxation so imposed that Income can satisfy it." If it be imposed, though not expressly and "directly on Capital, yet to such a degree in any other way that Income cannot supply it, it is virtually a Tax on Capital, as in that case Capital must be sacrificed for it. It is conceived there is no maxim more decidedly favorable to a Tax on Income; such a Tax indisputably risks the sacrifice of less Capital than Taxes raised in any other manner. An Income Tax, by its exaction from the Incomes only of the payers of it, kept down as it is to their respective amounts, must occasion a less abstraction from or restriction on Capital than Taxes which first, being advanced directly out of Capital, and next, diminishing in a greater degree by their action on expenditure, the amount of Capital saved, are, in two ways, a greater diversion of it from its natural channel, and by the increase of Prices which they occasion place English Capital in a more disadvantageous competition with Foreign Capital. An Income Tax operates in one way only, both in respect of Capital and of Skill and Industry (the Capital of those possessing them); where they are most productive and profitable there only or mostly the weight of the Income Tax falls; where they less suc-

ceed or become unprofitable the pressure relaxes or is wholly withdrawn.

Taking the Agricultural and Trade Classes as Consumers as well as Producers, it might seem immaterial to them whether the proportion of the total amount of Taxation paid by them be taken directly from their Incomes, or whether indirectly through their Expenditure. If Expenditure was as fair a basis as Income of deciding every man's payment to Taxation, if the just amount of each individual's contribution could be ascertained and determined by the quantity or value of the taxable Commodities and Articles used by him, and that amount could be taken from his pocket distinctly from the Prices of the commodities, in the same open manner as a Tax on Income; if those Taxes required no advance of Capital, or requiring it, if they occasioned no injurious increase of Prices, no inconveniences in the operations of Trade, if the Profits of Capital so advanced were precisely the same to every one as the natural employment of it would yield, and if the whole Procedure would always terminate between the Producers and the Consumers on as fair and equal an adjustment as would have ensued had there been no intervention of such Taxation; if, in short, the effects fell both on the Capitalists or Producers and on the Consumers proportionably to their respective Incomes and in no way obstructed re-production of Income, then it might be immaterial to the Agricultural and Trade Classes whether Taxation were laid, in the gross, and directly on their Capital as Producers, to be afterwards apportioned indirectly among their own and the other classes as Consumers according to individual Expenditure, or whether it were imposed directly on all Profit and Income according to every individual share of it; but reason and experience prove that Taxation on Capital, will not operate in this desirable manner, that the theory of it is wrong, and that its error in theory cannot be rectified in practice.

About two-thirds of the present Taxes are advanced by the Trade Class only as Producers, paying again as Consumers, out of private Expenditure, an amount which may be estimated to be larger than they would contribute to an Income Tax in respect of their Profits. The Taxes annually advanced to the Revenue may be taken at nearly £40 millions; to what extent this sum may be



progressively increased in the several stages through which the taxed articles pass before the sale of them produces the reimbursement to all those who have made or contributed to the advance, it may not be possible to estimate numerically; but it is conceived that the amount of the direct advance to the Revenue does not form near the aggregate amount of the Capital which is diverted out of its natural course by the process of indirect Taxation. It appears then that of the Agricultural and Trade Classes, the Trade Class stands more immediately affected by Taxation on Expenditure; nearly the whole of such Taxation is advanced by that Class, and as nearly the whole Expenditure of all Classes passes through its hands, it is consequently the channel through which Taxation is spread over the whole community: as it thus happens that the obnoxious procedure of Taxation on Commodities, falls more directly on the individuals of that particular Class which would be subject to that part of the procedure of an Income Tax which is regarded as the most objectionable, it may be justly held out to them that an Income Tax would relieve them from proceedings as or more obnoxious on the whole than those which would be substituted, also that the latter would operate, not like the former constantly, but provisionally only, and, as before observed, but very few persons, if any, would, in the proper execution of the measure under due restrictions, be undeservedly exposed to any vexation.

Some think that Traders in general do not gain in return for their advances of Capital for the Taxes any increase of Profit out of the excess of increase of prices charged beyond the Taxes themselves, but that the disadvantages and risks of Trade are from those advances multiplied and augmented so greatly that interest for the Sums advanced or even bare repayment of them is the utmost which they in general can obtain, while they are subjected to a falling off in their dealings from the diminution of consumption occasioned by increased dearth. Whatever the effects may be upon Traders in general, it may be observed that many are seriously inconvenienced by the levy on their Capital of the Duties in advance, and sometimes when Concerns are in an unprosperous and declining state the levy of the Taxes may complete the ruin of them—it seems then that the proceedings of the present Taxes (and the direct as well as the indirect) fall occasionally with extreme severity, not

only the remnant of an individual's capital or effects may be seized for the satisfaction of his debt to the Revenue but his person may be subjected to imprisonment, and his prospect of retrieving himself be destroyed: such consequences can scarcely ever arise from the operation of an Income Tax, the payment of it will not be required at times and under circumstances when there are not the means of payment, unless in any cases of persons from whom the Tax is not secured by way of deduction, but personally collected, and who have imprudently, and it may perhaps be added dishonestly, disposed otherwise of those portions of their Net Income which they could and ought to have reserved for discharging the Tax when demanded.\*

In contrasting the two systems of Taxation as they respectively affect Capital, it may be right to notice the probability of any evil effect of an Income Tax or the probable degree of it with respect to the Capital of the Fundholders. It seems to be generally apprehended that a very extensive transfer of Property from the British to Foreign Funds would be the consequence of an Income Tax; on this apprehension it may be observed, that the total Income derived directly from the British Funds would obviously not be lessened by such Transfer, both the Interest and principal Stock would remain of the same numerical amount, however much of the latter might be sold for the sake of transferring the Money Produce; but as the rate of Interest in the Foreign Funds exceeds the rate of Interest in the British Funds, the Interest remitted from abroad to English Proprietors would create additional Income mostly expended in this Country. If the transfer of Capital should, in the event of an Income Tax, be to such amount as to lower materially the price of the Funds of this Country and raise the Interest of Money thereafter vested in them, opposite effects would be produced in the Funds of the Countries to which the Property might be transferred, and from the small aggregate amount of Public Debts in those Countries, compared with the amount of the British National Debt,

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\* The late Tax, as regarded the Profits of Trade, was charged on the amount of the preceding year or average of the three preceding years, but if a party proved at the end of the year that his actual Profit within it had fallen short of the sum estimated, he was entitled to abatement.

such effects on the Foreign Funds would, it is presumed, be in a greater ratio; thus the evil would be quickly followed by a remedy sufficient to prevent its reaching or its continuing to any serious extent. When it is considered that the advantage to be gained by the transfer would soon be lessened, that a preference would for other reasons be felt by most English Proprietors for the Funds of this Country; that an exemption from the Tax might, if considered on the whole most politic, be granted to Foreigners, encouraging them to continue their investments, and that the British Fundholder would ultimately be benefited by an increase in the value of his Property, if by improved Taxation the National Debt were put into a course of more certain liquidation, as it may be by means of an Income Tax,\* a Tax on the Income of the Funds, not imposed exclusively on it, but as equitably as possible in common with all other Income, is not to be apprehended as a cause of permanent deterioration or of the removal of much of that species of Property.

*On the advantage of Certainty in Taxation and on the effects in Taxation of the Shifting of Expenditure.*

It has been observed, that "a Tax will entirely put an end to the production of a Commodity if no one of the Society is disposed to value it at a price equal to the new conditions of its supply, and on the other hand, commodities will be continually increased in quantity so long as the numbers of those who are able and willing to give a value for them equal to this price continue to increase."† The consumption of an article, however necessary or convenient and however lightly taxed, must be diminished by a Tax on it—there must be some persons who can no longer afford to purchase it or to purchase so large a quantity of it after the increase of price: if there be an increase of consumption notwithstanding the Tax, it must arise from increase of population and of wealth, or from greater cheapness which other causes in spite of the Tax have occasioned. A new or increased Tax on any article doubtless drives some expenditure to other ar-

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\* Vide Third Part.

† Malthus.

ticles not taxed or taxed at less rates; on the other hand, if a Tax on an article of consumption and use be taken off or abated, additional Expenditure is attracted to it from other more heavily taxed objects; in either case, Expenditure deserts those objects which most require its aid against the effects of Taxation, and transfers itself where for that purpose it is less wanted. But there would be less necessity or inducement under a Tax on Income to transfer Expenditure from one object to another, the expenditure on any particular articles would not be affected partially by it; any rise or fall in its rates which the increased or diminished exigencies of the State might require would be regulated so as to affect all Incomes equally or proportionably; Expenditure would be left more to its natural course and less under the control of Taxation. The shifting of Expenditure under Taxation on Expenditure renders necessary constant changes in Taxation which are not only harassing but produce uncertainty, and render more precarious and fluctuating the state of the various branches of Trade. A shifting of Expenditure, if it did take place under a Tax on Income, (whether in consequence of the Tax or of other causes) would not render any changes in the Tax necessary, for the transfer of Expenditure would increase the Profits of those sources into which it went; what the Tax might lose in one source it would gain in another. These considerations shew that Certainty which, according to one of the maxims of Taxation, gives to a Tax on Income a great recommendation both as concerns Individuals and the Public Revenue; no one can know for any length of time how and in what degree Taxation on Expenditure may operate on him, but every one may be sure in what manner and degree he will be affected by a Tax on Income; when a man knows his own Income he knows for a certainty what amount of Tax he has to pay; if his Tax fluctuates it is because his Income does so, but there is nevertheless that kind of certainty which the maxim contemplates. The Revenue may also be more sure of its total required amount—if one branch of Income fell short in its contribution from the shifting of Expenditure another would make it good.

*On the most convenient time of paying Taxes.*

As it is a maxim of taxation that every Tax should be levied at the time when it is most convenient to the Party to pay it, the advantage of an Income Tax in this respect may also be considered.—Wherever the Tax would be obtained by deduction, (and about three-fifths of the whole Tax would be secured in that manner) it must be admitted, as the Tax is paid at the time that Income is received, the maxim is perfectly complied with—with respect to the rest of the Tax, as it would be collected from the Payers by Instalments, such periods of the year for the payment of them might be fixed as would best suit the situations or concerns of the Payers in general; or they might be left to pay the Tax at such time or times and even in such proportions as might be most convenient to them, so that the whole were paid within the year or within a certain time after the expiration of it.

It may not always be most convenient to the payers of Taxes to take them at the moment of expenditure, adding as they do to the cost of the Articles and the difficulty of obtaining them, unless in respect of Luxuries, the expences of which are voluntarily incurred, and principally by the rich; the exaction of the Taxes when necessities and wants are to be supplied, and in proportion to those wants, may thus be often made at the most inconvenient time to the largest portion of the community, that is, to those in poor or indifferent circumstances, though it must be observed as regards those Classes, it is not so much the time of payment as the larger exaction of the present Taxes and the making them in any way the medium of taxation which constitutes their grievance. As a general rule it would appear that to take a Tax at the time when the Income is being received, which the Income Tax admits of generally, must be more convenient than if taken when Income is being expended. Even if Expenditure did afford the most convenient time and mode of paying the Taxes, the convenience regards only the ultimate payers, the Consumers; as regards the first payers, the Producers, it must be not only less beneficial to them generally to advance Capital for the Taxes than to apply it at once in the improvement or extension of their own concerns, but it may be asked whether the advances are not required at inconvenient

times, that is, before the Producers have obtained any proceeds from the goods in respect of which the advances are made, and although the proceeds of sales of Goods which had been previously taxed may, if the goods have been timely and profitably disposed of, enable the owners to provide the next advances, whether nevertheless the most convenient time would not be, in general, after the gross proceeds on the respective Stocks had been realized and the real value of them had been ascertained.

*The various and serious Evils of Contraband Trade prevented by the substitution of an Income Tax.*

Under the head of the ill effects of the procedure of Taxation obtained through Expenditure may be comprized the injury to the general interests of the Country, which arises from the misapplication of the Capital and Labor of a numerous class of persons who trade illegally, from the open professed Smuggler to the clandestine Dealer, co-operating with and encouraged knowingly or inconsiderately to a great extent by a large portion of the community in pursuit of dishonest gain or saving, attainable by evasion of Taxation on Commodities,—a secret and demoralizing combination which would at once be dissolved by the substitution of a Tax on Income, a Tax which whatever may be the evasion practicable under it admits of it in no way attended with such serious consequences as those now adverted to, aggravated as they are by the nature of the protection which is rendered necessary for the preservation of fair Trade, as well as of the Revenue, that is, the maintenance of very large and expensive Civil Establishments supported by armed Forces, forming marked and unpopular classes the execution of whose duties too often excites, justly or not, the ill feelings towards them of the rest of Society and sometimes provokes the commission of the worst of crimes. To these serious consequences of Taxation when laid on articles of consumption is to be added the encouragement it gives to the adulteration of them, which not only imposes on the pockets of the Purchasers, but may injuriously affect their healths. It may also be observed that it is poverty and distress, unfortunate pursuits and habits of life which drive or

tempt many to commit frauds, and the other offences alluded to, under the present system of Revenue, while the desire of gain or saving induces many of better condition to join with or encourage them directly or indirectly; but a well regulated Income Tax would subject none or but very few in unfortunate circumstances to the necessity or inducement to commit fraud, it holds out no extenuating plea to excuse the necessitous or satisfy the scrupulous in the commission of it; it may be said too that the temptation it holds out is to fraud only, it offers no excitement to other offences: and if fraud be committed, the criminality of the act rests solely with the real offender.

The procedure for preventing evasion of Taxation on Expenditure is not only of a more obnoxious and serious nature, but from the extensive ramifications and concealed operations of its evasive system, it is less effectual than the means practicable for preventing evasion of an Income Tax, and considered in the nature of a punishment it also operates more hardly and less justly than the procedure of that Tax. As the evasion of Taxes on Expenditure is, on the part of the great body of evaders, like the process of the Taxes themselves, indirect and unseen, so evasion may be committed by numerous persons without intention or a consciousness of it, and detection is difficult if not impossible; the dearness, created or increased by such taxation, often compels or induces many in search of cheapness unwarily to deal with illegal traders, or if aware of illegal dealing, the improbability of discovery and the too general custom which countenances the practice, encourage and reconcile them to it; where the wilfulness of evasion does exist, detection is uncertain, and the punishment does not in general fall adequately, if at all, on the most guilty. On the principle that "the receiver of stolen goods is worse than the thief" the dealer in contraband goods, knowing them to be contraband, may often be more guilty than the professed Smuggler—"a person, who though no doubt highly blameable for violating the laws of his country, is frequently incapable of violating those of natural justice, and would have been in every respect an excellent citizen had not the laws of his country made that a crime which Nature never meant to be so;"\* illicit trade can be but partially prevented

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\* Adam Smith.

while the numerous abettors of it among the community at large, the concealed participators in its undue advantages, cannot be reached; these are the real and worst offenders; the direct Smuggler, whether he ventures capital or personal service, is but as their agent or servant, though against him the preventive means are wholly or mostly directed, and if his attempts be unsuccessful he alone bears the loss and punishment; even the disgrace or discredit seems to attach to the open Smuggler only while the numerous principals, the private dealers in and purchasers of smuggled commodities, who participate in the unlawful gains of successful transactions suffer no punishment, and even if known may incur but little or no discredit. "Not many people are scrupulous about smuggling when without perjury they can find any easy and safe opportunity of doing so. To pretend to have any scruples about buying smuggled goods would in most countries be regarded as one of those pieces of hypocrisy which instead of gaining credit with any body serve only to expose the person who affects to practice them to the suspicion of being a greater knave than most of his neighbours. By this indulgence of the public the Smuggler is often encouraged to continue a trade which he is thus taught to consider as in some measure innocent, and when the severity of the Revenue Laws is ready to fall upon him he is frequently disposed to defend with violence what he has been accustomed to regard as his just property;"\* but the Tax on Income which is obtained at the very source of Income or from the Contributors themselves, can, in the first place, hardly be evaded without intention and consciousness of the offence, and without the certainty or a great risk of detection, there can be but very seldom any just plea of ignorance, inadvertence or irresponsibility; and in the next place, when detection takes place it brings forth the real offender, he alone suffers, and he does not induce or involve others in a participation of his offence.

By abolishing Taxation on Commodities and reducing high Prices that part of our Commerce with Foreign Countries which is fairly and legally carried on would be placed on a more advan-

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\* Adam Smith.



tageous footing—Foreigners would no longer concert with Smugglers and contraband Dealers in this Country in a traffic so disadvantageous to all the fair Traders of it and be instrumental in rendering the Taxation of it unproductive and unequal. Taxation may be immaterial so far as concerns Foreign Commerce in our own Markets or our competition in commerce in Foreign Markets; provided it be confined, as an Income Tax may be, to ourselves, that its operation and effects be extended to no objects in which Foreigners would deal with us, and that it in no way or as little as possible discourage their commercial intercourse with us: and this consideration leads to another, which though of less importance may be worthy of mention, that is, the encouragement there would be to Foreigners in person to visit this Country, whether for commercial or other pursuits, if their Expenditure were free from the burthen of its Taxation. It may be apprehended that a great number of Foreigners whose Incomes are more on a level with the cheapness of living of their own countries, and who are therefore the less able to bear the dearness which Taxation levied through Expenditure creates in this Kingdom, are deterred from any personal intercourse with it. It seems more politic to encourage a greater number of Foreigners to bring their Expenditure to this Country and those who come to expend more, than to obtain the trifling advantage of a small sum of taxation which may be now obtained from the Expenditure of a far less portion of them.\*

*Proceedings of a penal nature far less oppressive under an Income Tax.*

Proceedings of a penal nature under the present plan of Revenue should be noticed, such as prosecutions for penalties, forfeitures of property, &c.; these it is conceived are more numerous and vexatious than any of a similar nature which may be necessary to punish frauds of an Income Tax.

Under the operation of the late Property Tax proceedings very

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\* Under the late Property Act, it was considered politic to exempt not only the Interest of the Public Debt belonging to Foreigners, but also the Interest of Private Debts payable to them out of the Profits of Trade carried on in this Country.

seldom extended further than the imposition of the full sum of Tax which a person had attempted to evade—in a few gross cases only some additional duty or penalty was inflicted as a punishment—but in case of detected evasion of Taxation on Expenditure the whole of the property or goods attempted to be smuggled is seized, as a forfeit, the offender may be also subjected to imprisonment or other penal consequences, and perhaps be utterly ruined, the payment of the full legal Duty will not expiate the offence; the open Smuggler or Dealer alone may often be thus punished although not the only or the most culpable offender. “The penalties of smuggling must rise in proportion to the temptation;—the law, contrary to all the ordinary principles of justice, first creates the temptation and then punishes those who yield to it, and it commonly enhances the punishment too in proportion to the very circumstance which ought certainly to alleviate it, the temptation to commit the crime.” \* Such a visitation may be absolutely necessary for the security of the particular system of Revenue to which it is attached, but in comparison with the penal consequence of evasion of a Tax on Income it may be regarded as a procedure of extreme and partial severity. †

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\* Adam Smith.

† Surcharges to the late Property Tax, though by some complained of, were hardly ever carried to the extent of a punishment for attempted evasion; the intention and result of them in general were no more than the attainment of the Tax due, that is, the Single Duty only: Overplus and Double Duty or Penalties were very seldom inflicted; it appears from the Accounts, that the average Annual Amount under this head for 10 years did not much exceed £20,000, on an average Annual Produce of Duty of £13 millions nearly, and this penal infliction was the act, not of Government, but of the Commissioners acting as judges between the State and the Subject, and doubtless in cases only which fully deserved the penalty. It may be observed with regard to Officers of the Revenue under any system of it, but more especially those employed in direct Taxation as the Property or Income Tax, that the opprobrium to which they are often subjected, is not only in general unjust, but it is prejudicial to the useful and honorable object of their office as tending to deter them from the firm and impartial discharge of it, it is their duty to co-operate in securing payment justly due to Public Creditors and Public Servants for Capital lent and Services performed for the benefit of the Public at large, more particularly to prevent the dishonest from casting their share of the charge on the honest part of Society, and to establish equalization where the Taxes have been rendered unequal, either by the evasions of the Parties or by any laxity of others in the execution of the Acts; their proceedings are not more oppressive than those of Professional Men who enforce the

*Procedure of an Income Tax independent of Government.*

As Taxation is indispensable, principally for the purpose of enabling one part of the community to pay its debt to the other part, the Income Tax has the recommendation that it may be raised in a manner by which the execution may be entrusted wholly to the community itself. The present indirect Taxes are levied under the immediate jurisdiction of and by the hands of persons appointed by Government, but with respect to the Income Tax, the judicial authority, and if the interference of the Government Officers be withdrawn, as hereafter suggested, the executive powers would be left wholly to those chosen from among the different classes of the community at large, and acting independently of Government; such a system may operate with too much leniency rather than with excessive rigour, but in entrusting the charge and levy of Taxation on the community to those selected from and by itself, it is a satisfaction that wherever there may be abuse or irregularity it has the power of redress in its own hands; as every one who is in such circumstances as to be subjected to the Tax would have his due degree of particular local influence as well as

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Law for the recovery of private Debts, they may be less so, for the compensation of the Revenue Officer is paid out of the Debt which he is instrumental in recovering, he is seldom remunerated by any charges exacted beyond it, such Penalties being, in direct Taxation, as just observed, very infrequently inflicted; but the Professional Man is paid by charges borne beyond the private Debt recovered, which however correctly and moderately made, are often heavy Penalties for disputing the Amount or withholding payment of it. The mildness shewn to Offenders, against the late Property Tax, in taking the Rewards for the Officers out of the Single Duty payable to the Revenue, instead of making the Parties contribute additionally for the purpose, may have been a degree of injustice to the honest Payers on whom in effect the expence was thus partly thrown. If the proceedings of Officers are vexatious, the Law subjects them to Dismissal or heavy Penalties, and Government is ever disposed to discourage and punish such conduct, but it is confidently believed, that an investigation of individual complaints, they have been found most generally to be groundless, that there has scarcely ever been an instance of the interference of the Law, and very few occasions for the infliction of punishment by Government on its Officers for vexatious proceedings in direct Taxation. When the endeavor to escape a Tax is frustrated, whether it shews itself in obvious wilfulness or apparent inadvertence, a disposition to find fault with the Officers is excited; and although the blame wholly lays with the individuals, their complaints, if openly but not fairly made, will provoke in others sentiments unjustly inimical to the Officers.

his general legal right, so he might be a proportionable check against any improper exercise of authority on the part of those vested with office.

*Comparative usefulness of the general Information attainable under the two Modes of Taxation—Income and Expenditure.*

As not irrelevant or unimportant under the difficulties of adjusting Taxation as circumstances and times may require, the comparative usefulness of the information obtained by means of the procedure of Taxation on Articles of Consumption and Use and of Taxation on Income respectively may be adverted to. A general Income Tax affords a knowledge of the proportion of Taxation borne by every rank and class, however distinguished; whether as Upper, Middle, or Lower, in their several gradations, whether as Agricultural, Trading, Professional, &c. in their several denominations; whether as Productive or Unproductive in their different degrees; whether as Public Creditors or Public Debtors; whether as Public Officers or Servants, &c.; also of the proportion paid by every County, District, Town, Parish and Place; and unless secrecy and concealment are indispensable with respect to individual Incomes, the proportion borne by every person may be ascertained, all which knowledge may be of most important service, not only in regulating the Tax itself, but for other national purposes. Useful information is doubtless obtained under the present system of Taxation from the public accounts given of the quantities and value of the taxable articles of use and consumption, but it would not follow if that taxation were wholly abolished that such information could not be obtained, if necessary for the public good; the imposition of mere nominal amount of Duties, as are at this time laid on many articles, some of which have been formerly heavily taxed, may be extended to all other articles to be relieved from taxation; but it may be observed that the quantities of Goods and Manufactures accounted for under Revenue requisitions and proceedings are not always regarded as a true or precise criterion of the real state and value at any time, or of the comparative state and value at different times, of the Trade and Commerce and of the general state of the Country, for as it is not the quantity of Merchandize and Stock but the amount of Profit

derived from them which is the truest standard of wealth, so it may happen that while the quantities are largest the rate of Profit may be smaller, and the extent of one may seldom fluctuate in a corresponding ratio with the other; the view afforded is of aggregates only, neither distinguishing results as they regard the several classes of society relatively to each other, nor shewing the varying distribution among them of the necessities and comforts of life. As there are articles of consumption on which taxation is not laid (though indirectly affected by Taxes on other articles) the accounts do not, even in respect of total consumption, afford information to the utmost desired extent—they lead on the whole therefore to inferences only, and to no decisive conclusions. But the accounts of Profits ascertainable by Returns and proceedings of a general Income Tax, which can be prepared with as much variety and minuteness as the numerous species and ramifications of Income will admit and as political or commercial purposes may require, are certain guides to information of the real Wealth and Income of the Country, either in the aggregate or in any particular source of it, at any time, or of its comparative amount at different periods. The Country in ascertaining under such a Tax the aggregate extent of its wealth and means in every source of it, would know how it stood from year to year relatively to its Debt and to the national Expenditure and its exact power to sustain the burthen they cast on it, also it would accurately perceive how far and in what manner Taxation and other causes acting upon the acquisition of Income affected the classification of it; whether and where they varied the distribution of the means of subsistence and enjoyment; which classes of the community benefited and which suffered by any variation in the distribution.

*On the necessity of constant Legislation under Taxation on  
Commodities.*

Another point of comparison between the two systems of Revenue may deserve notice, viz. the extent and nature of the legislation required by them respectively. To establish and maintain the various systems or branches of the present Revenue what a multiplicity of Acts of Parliament have been passed and put in force,

what constant legislative changes are necessary to regulate the effects of them, in order to accommodate them as much as possible to the various conflicting interests diversely affected by them. But the first Property Act (1803) was nearly sufficient to complete the whole system on which the Property Tax was founded; and though some more modifications of it than were made in subsequent Acts\* might have been desirable during the 13 years of the existence of the Tax, all the rules and provisions under which nearly £145 millions were during that time raised were comprized in a single Statute, and a greater compass of legislation may not be necessary if a future Tax be carried, even to the full extent of the present Revenue, and its enactments may remain the same under any change of circumstances; the simplicity and generality of its design are strong recommendations of it, as regards both legislation and execution.

### 3rd. *Excess of Taxation.*

- 1st. *In as far as Taxation may deprive the Payers of the Taxes (the Agricultural, Manufacturing, Trading and Professional Classes,) of more than is received by the Receivers of the Taxes,—(the Public Creditors and Public Servants.)*

To what extent the sum of loss or injury sustained from Taxation by the Agricultural, Trade Classes, &c., may exceed the sum of gain or benefit derived by the Public Creditors and Public Servants, &c. must depend on the nature of the system of Taxation adopted: In proportion as prices are by taxing Commodities increased beyond the amount of the Taxes themselves, Taxation occasions a greater Cost in individual Expenditure than the public Revenue, for which it is raised, derives from it; but it is not only

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\* The successive Property Acts of 43, 45 and 46 Geo. 3, comprehended mainly the same plan, there having been in that respect no very material variation; the last two Acts were passed principally to increase the rate of the Tax from 5 to 6½ and to 10 per Cent. The Act of 50 Geo. 3, was very limited in its object. Certain enactments, designed principally to regulate some of the proceedings were, as they applied also to proceedings under the Assessed Taxes Acts requiring similar enactments, passed in an Act separately from the main Property Act, otherwise they might have been embodied with that Act, of which they were declared to form a part.

as Taxation falls on the expenditure of individuals beyond the amount which the Public Treasury receives for application to the Public Service, but as it affects their means of producing Income, that Taxation injures some Classes more than it benefits others; in the latter as well as in the former respect, the direct operation of a Tax on Income is decidedly less injurious than the circuitous operation of Taxes imposed on Produce, which are advanced out of Money Capital and indirectly repaid out of Income through expenditure by means of increase of Prices; the latter operate not only as virtually a greater exaction from Income after it is acquired, but as a greater obstacle to the future acquisition of Income, they take away from the funds while they obstruct the full restoration or increase of them, and in that manner the Payers of the Taxes lose more than the Receivers of the Taxes gain; but in proportion as an individual's means of acquiring Income increase or diminish, a direct Tax on Income the more or less affects them—if his Property, his Capital, if his Skill or his Labor, become, from whatever cause, unproductive or less productive, that Tax deteriorates them not at all or in a less degree; in such a case, if it takes away nothing or the less it takes away, it impedes not or it the less impedes their future productiveness, the funds of Income, in whatever state they be, are left more fully and freely to their natural operation, and thus the Payers of the Tax lose or contribute no more or but very little more than the Public Treasury receives. The Receivers of the Taxes are as much interested in this desirable result as the Payers of them, for in proportion as the Incomes of the Payers of the Taxes improve and the greater the amount which they consequently pay to Taxation, the less is paid back or deducted from the Receivers of the Taxes, and though the nominal or gross amount of the Incomes of the latter classes may remain the same, the amount of Taxation on them and the amount of their net or real Income are greater or less according as the means of the other Classes to produce Income are affected by Taxation or other causes.

Although the sum which indirect Taxation costs to each individual is much greater than the sum which it carries to the Revenue, he is left in ignorance of both; this circumstance may be regarded by some to be politic in Taxation, as keeping the effect

more out of sight though in reality more severely felt ; it would seem that the different Classes must not know the actual state of these accounts with each other—the exhibition would not bear the light. This does not appear consonant with the principle of openness on which pecuniary transactions in general are conducted : an equal Income Tax has no such concealed termination, every one knows the exact amount of his own Tax, and may know the contributions of all Classes, also if necessary, of other individuals. Whatever is paid, is paid direct to the Revenue—it has no progress to make through the pockets or funds of others, its real amount is not dependant on other and precarious processes of a distinct nature, on which, mixed up therewith as are Taxes on Commodities, the real but unknown amount paid by each payer of those Taxes partly depends. What ever is taken by an Income Tax from each pocket goes to the full amount thereof into the Treasury ; it is not, as a Tax on Commodities may be from its mode of operation, the means of profit to one class at a greater expence to another than the latter should incur : the gain of one is not the loss of another beyond the exact amount of the Tax, and this satisfactory result is clear, obvious and certain. An Income Tax, instead of taking from the pockets of the Payers of it more than is due to the Receivers of it, may have rather a contrary tendency, for by its more effectual operation on the Income of the Public Creditors and Servants, it may take rather less from the other Classes than might in strict justice be claimed of them.

*Mr. Ricardo's Opinion on the general effect of the Advances of the Taxes on Commodities by the Producers of them.*

Mr. Ricardo in his observations on Taxes paid by the Producer, refers to the opinion expressed by other Writers that an “inconvenience consequent on the advance of the Tax (by the Producer) is that the profits on the advance also must be charged to the Consumer, and that this additional Tax is one from which the Treasury derives no advantage,” and he states that to this objection he cannot agree ; he reasons as follows—“The State we will suppose wants to raise *immediately* £1,000 and levies it on “a Manufacturer who will not for a twelvemonth be able to



“ charge it to the Consumer on his finished commodity. In con-  
 “ sequence of such delay he is obliged to charge for his commo-  
 “ dity an additional price not only of £1,000, the amount of the  
 “ Tax, but probably of £1,100, £100 being for interest on the  
 “ 1,000 advanced. But in return for this additional £100 paid  
 “ by the Consumer he has a real benefit, inasmuch as his payment  
 “ of the Tax which Government required immediately, and which  
 “ he must finally pay, has been postponed, an opportunity there-  
 “ fore has been afforded to him of lending to the Manufacturer,  
 “ who had occasion for it, the £1,000 at 10 per Cent. or at any  
 “ other rate of interest which might be agreed upon ; £1,100 pay-  
 “ able at the end of one year when Money is at 10 per Cent. in-  
 “ terest, is of no more value than £1,000 to be paid immediately.  
 “ If Government delayed receiving the Tax for one year, till the  
 “ manufacture of the Commodity was completed, it would perhaps  
 “ be obliged to issue an Exchequer Bill bearing interest, and it  
 “ would pay as much for interest as the Consumer would save in  
 “ price, excepting indeed that portion of the price which the Ma-  
 “ nufacturer might be enabled in consequence of the Tax to add  
 “ to his own real gains. If for the interest of the Exchequer Bill  
 “ the Government would have paid 5 per Cent., a tax of £50 is  
 “ saved by not issuing it. If the Manufacturer borrowed the ad-  
 “ ditional Capital at 5 per Cent. and charged the Consumer 10 per  
 “ Cent. he also will have gained 5 per Cent. on his advance over  
 “ and above his usual profits, so that the Manufacturer and Go-  
 “ vernment gain or save precisely the sum which the Consumer  
 “ pays.” Referring to the calculations of other Writers, from  
 “ which it would appear “ that a Tax of £200 paid originally by a  
 “ Manufacturer whose Profits, even at the moderate rate of 10 per  
 “ Cent., would, if the commodity manufactured only passed  
 “ through the hands of five different persons, be raised to the Con-  
 “ sumer to the sum of £322,” Mr. Ricardo observes, “ This cal-  
 “ culation proceeds on the supposition that he who first advances  
 “ the Tax would receive from the next Manufacturer £220 and  
 “ he again from the next £242, and so that at each step 10 per  
 “ Cent. on its value would be added to it. This is to suppose  
 “ that the value of the Tax would be accumulating at compound  
 “ interest, not at the rate of 10 per Cent. per annum, but at an

" absolute rate of 10 per Cent. at every step of its progress."\* It may be doubted in the first place whether the postponement of the payment of the Tax on Commodities by the Consumer, as stated in the above quotation, has been consonant with the fact—whether it has not always or generally happened that on the imposition of a new Tax or on the increase of an old Tax on any commodity, or as soon as the advance of it has been made by the Producers, the price of that commodity has been *immediately* raised—that the Producers have not waited the termination of a year, or any specific period, before they have increased the prices—on impositions of new or increase of old Taxes on Commodities they may have been levied at once on the Stock in hand; but, whatever have been the ground of the immediate rise in price, the rise has in general commenced without any such postponement as is here presumed: it may also be doubted in the next place whether it could be decided with perfect justice between the Producer and Consumer at what time the rise of price should begin, and whether the Consumers must not, under such circumstances, be entirely at the discretion of the Producers.

Supposing however that the payment had always been postponed for a year, as alleged, it may be questioned whether the advantage or convenience to the Consumers lasted beyond the first year; they paid the new Tax or increase of the old Tax for the first year, with all its accumulation of price, before the Producers advanced the second year's Tax, and by continuing to pay in every subsequent year that amount of Cost beyond the Tax which might have been avoided by taking from them the amount of the Tax at the commencement of the first year instead of at the end of it, it is borne by them for a permanency in return for a temporary accommodation or without the adequate and permanent advantage attributed to it; it is, at the least, borrowing on terms exceedingly disadvantageous, for considering the Money advanced merely as Money lent (and the transaction is not in its nature of any greater accommodation to the Consumers) they should pay in return no more than the Interest of 5 per Cent. (or whatever the common rate of Interest may be); if Government had obtained an advance

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\* Ricardo.

of the Money by borrowing it in a direct manner to be repaid at the end of the year when the Tax had been levied on the Consumer, Interest at 5 per Cent only would have fallen on the Consumers in the way of additional Taxation. Although each of the several manufacturing hands through which a taxed commodity passes is entitled to its usual rate of Profit as well as of Interest on the additional advance of Capital made by it for the Tax, yet by this mixture of the Producer's own Profit on the sum advanced with the Interest of it, while the latter should be the sole object of adjustment with the Consumers as being the total equivalent due from them, the transaction terminates, after an intricate progress, in an uncertain and unsatisfactory result. For arriving at a knowledge of what is or should be the rate of increase of Prices beyond the Taxes arising from this commixture of Taxes, Interest and Profit, varying also as it should do according to the length of time and the number of hands intervening between the periods when the advance is first made by the Producer and when ultimate payment is obtained from the Consumer, it may be useless to depend on the ordinary mode of calculation if experience will not accord with the result thereof; it seems unnecessary to inquire whether the Cost accumulates or should accumulate simply according to the whole length of time that the Tax is in advance, or in any ratio increasing as the number of hands necessarily making the advances increases; the fact is, that there is an extraordinary accumulation of Cost, however short the periods of the advances or however few the number of hands who successively make the advance, and from whatever causes the Taxes on Commodities operate in this manner, the Estimate of the progressive increase of the Cost, made by the Writers referred to by Mr. Ricardo, though perhaps over calculating it in some degree, may approximate nearer the truth than his own Estimate does: the conclusion of those Writers seems at least borne out by experience that Taxes on Commodities take out of the pockets of the Consumers a very large accumulation beyond the sum received by the Treasury and the Classes subsisting on the Taxes, and though the excess paid by the Consumers goes into the pockets of the Producers, yet it appears that the effect in diminishing consumption, and consequently also re-production, must ultimately tend to a diminution of the

Gain of the Producers; if even the increased Expenditure of the State and of the augmented number of the Public Creditors and Public Servants make good in a great degree the loss which the Producers sustain from diminished consumption of the other classes, yet it may be contended that the operation of Taxes on Produce must, from its unequal and uncertain course, taking the various Classes relatively to each other, inflict on some classes loss and injury exceeding in degree the gain or benefit received by other classes.

"A system of taxation may be defective—more may be raised from the people than what finds its way into the coffers of the State, as a part, in consequence of its effect on Prices, may possibly be received by those who are benefited by the peculiar mode in which taxes are laid. Such taxes are pernicious and should not be encouraged."\* It may here be asked, what are the particular Taxes on Commodities of which it can be said that the adjustment between the Producers and Consumers is so exactly effected by Prices that neither are losers or gainers by them? Is not every one of them pernicious in this respect?

*The Agricultural and Trading Classes considered relatively to each other, as they are affected by Taxation on Income or Expenditure.*

The Agricultural and Trading Classes, from whom all Income emanates, and who are therefore mainly to be regarded in Taxation, have, it is conceived, strong reasons to approve of an Income Tax. In the first place they may be assured that the other classes, viz. the Public Creditors and Public Servants, who derive their Income from the Tax exacted from Agricultural and Trading Profit, would contribute in return to the Tax at least their full shares, and in the next place, with respect to other consequences, the Income Tax would affect them less injuriously than Taxes on Articles of Use and Consumption, not only as these lessen the value of their Income as Consumers by raising the cost of whatever it is expended on, but also as in operating on the sources of their Profits as Producers they increase the uncertainty, and diminish the amount of them.

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\* Ricardo.

In estimating the effects of a change from the present Taxes to an Income Tax as regards the Agricultural and Trading Classes, taking them relatively to each other, it is to be observed that not more than one-sixth or one-seventh of the present Taxes has an immediate connexion with the produce of Land, but the Income arising from it, is according to the Property Tax Accounts, seven-tenths of the Total Income arising from Land and Trade jointly, that the part of the present Taxes immediately connected with the products of Trade is more than one-half of the Total Amount of them,\* but the Income arising from Trade, estimated from the Property Tax Accounts, does not much exceed three-tenths of the Total Income from Land and Trade jointly,† it would seem, therefore, that the Commercial and Trading Classes in particular have less than any classes ground of objection to an Income Tax, as it would supersede Taxes which, independently of their unequal operation on them in common with other classes as Consumers, affect them as Producers most disproportionably—if it be objected to the change from the present Taxes to an Income Tax that the disproportions would be reversed and rendered unfavorable to the Agricultural Classes, it may be answered that if they possess so far the largest proportion of the whole Income of the Country, it is only just that their contribution to the Revenue should be proportionably largest, and though the Tax may not in operation reach the Trading Classes quite so effectually as the Agricultural Classes, it will not fall so disproportionably as the present Taxes bear on the latter, taking them as Consumers as well as Producers.

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\* The remaining Taxes, excluding the two proportions connected immediately with Agriculture and Trade, bear on the several Classes more as Consumers only than as Producers.

	<i>Millions.</i>
† Rental of Owners of Lands and Tithes ...	£44
Profits of Occupiers of ditto .....	27½
	<hr/>
	71½
Profits of Trade exclusive of Professions ..	32½
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Total Income from Land and Trade ..	£104

It may be estimated that in ordinary times Income from Land would contribute to an Income Tax about two-fifths of the whole Tax and Income from Trade (exclusive of Professions) about one-sixth of it.

*The very great Saving in the Expence of collecting the Revenue by substituting an Income Tax.*

Under the 1st head of Excess of taxation may be classed the expence of levying Taxation. A large sum is paid on this account, which though it compensates that portion of the Public Servants who levy the Taxes and defrays other expences incurred in the levy of them, is not received by the Treasury for application to the purposes of the State, a less amount is therefore applied to the public service than is taken out of the pockets of the Tax Payers in general; in this particular the Income Tax has a very great and an undeniable advantage over Taxation raised through Expenditure: the expence of Collection of the present Taxes exceeds 6 per Cent., but an Income Tax of the same amount might be collected at less than 2 per Cent.; a Public Revenue of the present amount, raised by indirect Taxes, requires more than £2 millions of additional Taxation as the charge for collecting it beyond the sum of expence required to collect an Income Tax of the same amount. Under Taxation on Expenditure the whole of the Income due to the Public Creditors and Public Servants is first paid to them, and then the part due to Taxation is repaid through an expensive as well as an unequal and troublesome process; under a Tax on Income the part of the Tax due from Income derived from Taxation is in fact not paid, and the expence and trouble and any obnoxious proceeding of Taxation are avoided; it may however be observed that a small part only of the total saving arises from this avoidance of an actual levy of Taxation from Income derived from Taxation, for the rate of expence of assessing and collecting that part of the Income Tax which is paid by Income not derived from Taxation does not exceed  $2\frac{1}{2}$  per Cent.

*Excess of Taxation.*

2nd. *In as far as Taxation may exact more than the Property, Capital and Industry of the Payers of the Taxes can replace.*

It appears to be the opinion of some Writers that Taxation if kept within moderate bounds may not on the whole be prejudicial,

that it excites industry and oeconomy, quickens and expands Circulation, and thus where full freedom and security in the production and enjoyment of the produce and profits of Property, Capital and Labor exist, it assists the national resources in meeting its demands and provides much of the remedy against any evils attending it—if however Taxation passes beyond a certain limit (a limit which must vary as the general means fluctuate from other causes as well as from Taxation), it exacts more than the Capital and Industry of the Country can yield, or if once yielded, than they can replace—the several sources of Produce and Profit may not be sufficient to discharge all obligations charged on them of a private as well as of a public nature and be at the same time maintainable in that degree of productiveness which all other causes affecting them will admit of—passing beyond this limit Taxation becomes a cause of its own diminution.

Whether Taxation has on the whole or how far in respect of any particular articles of it passed this limit it may be difficult to determine, mixed up undistinguishably as Taxation has been with other causes affecting the resources of the Country. As excess of Taxation under this head may be occasioned not only by the extreme amount to which Taxation is carried, but by the mode in which it is raised, then the question which can be more easily solved, and which is here more appropriate, may be upon what system Taxation can be carried furthest without incurring the danger of such excess.

The grounds which decide the superiority of an Income Tax when viewed under other heads in comparison with Taxation on Expenditure, determine also the preeminence of it in this point of view.

*On Equalization as increasing the Means of bearing Taxation to the extreme Limit.*

As equalization in respect of any kind of Taxation increases its productiveness, so the more equally all Classes are taxed the larger is the Amount which on the whole they can bear with the least injury to themselves; also the more free the operations or materials of Trade and Agriculture are from the direct procedure of

Taxation the less impediments it will occasion to their productiveness and consequently to its own—the conclusion may then be that the Tax which takes directly and solely from Profit, affecting all descriptions of it with due equality, and avoiding all interference with it while in the course of acquisition, is Taxation which can be carried to the greatest extent without exceeding the maximum limit.

Viewing, first, the different effects of Taxation on the different Classes of the Community as *Producers* it may be stated that Taxation on Articles of Consumption and Use will become excessive, and occasion its own diminution in the worst manner and in the greatest degree: by raising Prices it discourages Consumption, and consequently Reproduction; by diverting Capital from its natural course it obstructs the most advantageous employment both of Capital and Labor, and in that way also diminishes reproduction, and as it operates in this manner unequally by falling more on some sources of produce than on others, and more heavily on the same source at one time than at others, not duly varying itself as other causes affect the consumption and production of the articles taxed, the injurious consequences are aggravated; by creating contraband traffic it discourages fair dealing with foreign as well as between native traders; and Capital in general which is lawfully and honestly employed is subjected to unfair competition and great disadvantage.

A direct Tax on Profit or Income, if it affected unfavorably Consumption and Production, would tend to lessen the magnitude of the general Income and lead to its own diminution: but the operation would be to a much less extent and in a less injurious manner than under Taxation laid on Produce and paid out of Capital; by taking nothing or but little directly from Capital the Tax on Income will not or will less divert it from its natural course; by taking nothing, or taking less than Taxation would through Expenditure exact from Income where Capital and Labor are unproductive or are the least productive, it will not or will less interfere with the free and full employment of them: therefore it will not or will in a less degree, diminish the aggregate amount of Income and its own amount. So far as the part of Income exacted by a direct Tax on Income might, if not exacted, have been saved and applied as



Capital instead of being expended, it may be alleged that an Income Tax indirectly diverts Capital from its natural course: but if it so operates it not only does so to a much less extent (for a proportion only and probably not a large proportion of the Income so exacted would be applied by its possessors as Capital) but also in a more equal degree; where in this sense it may be said that Capital is exacted by an Income Tax, the exaction is in proportion to the capacity of the individual fund to bear it, and therefore if even the Tax were an exaction from Capital throughout all Incomes, yet by disturbing least those individual funds of Capital which are least able to bear diminution or diversion, it injures the whole in the least possible degree.

Viewing, secondly, the effects of Taxation on the different Classes as *Consumers*, it may be observed that as Taxation on Expenditure cannot be imposed directly and equally on all Classes, and will not shift itself from one Class to another as their relative means may vary, so Taxation on Expenditure in thus failing to maintain the proper relative proportions of Taxation among the different Classes as Consumers, cannot exact from them the utmost amount which in reality they could bear, and is less sure of producing from them any required sum of Taxation; but as the Tax on Income must shift itself of course from one Class to another as their relative means vary, it not only maintains the due equilibrium in general among the several Classes, whichever of them may rise or whichever may fall in circumstances, but as its exaction from the Public Creditors and Public Servants, the Receivers of the Tax, will be greater or less in proportion as the ability to contribute to it on the part of the other Classes diminishes or increases, so in effect Taxation will be reduced under its operation in proportion as the Resources of the Country decline, and thus it will more surely and completely maintain that equalization which is best calculated to carry Taxation to its utmost limit and to prevent deficiencies of the Revenue whatever its required amount may be. It is very satisfactory thus to know that the more reduced the general Income of the Tax Payers may become, the less will be the real amount of Taxation paid by them to the State, that if the total nominal amount of Taxation remain undiminished, then in as much as the Incomes of the Tax Receivers become propor-

tionably greater than the Incomes of the Tax Payers the former will repay a proportionably larger sum to Taxation: It may be alleged that this diminished payment on the part of the Tax Payers may take place in nearly an equal degree whether their Income or their Expenditure be the immediate object of Taxation; but it is to be observed, that Taxation on Expenditure is in various ways more aggravating to the Tax Payers the more their means are reduced; while in an adverse state their advances of the Taxes on Commodities, which remain undiminished in amount, become more inconvenient to them, also those other effects of such Taxes adverted to under preceding heads, which the Tax Payers as Producers experience, fall then with greater aggravation on them, and therefore, though they may contribute less as Consumers to Taxation when their Incomes are diminished, yet they are on the whole more injured by it under circumstances of depression than at other times. But a Tax on Income would secure to the Tax Payers a mitigation of Taxation in all respects the more they needed it, both as Producers and Consumers.

As the Public Expenditure must be limited by the aggregate ability of the Country to bear Taxation, and as it may be necessary from the urgency of national measures to extend it even to the utmost limit of that ability, or from the decline of the national resources to reduce it to the lowest possible ebb, so it seems a great desideratum that a system of Revenue should be adopted which not only will enable the extreme of Taxation (if absolutely necessary) to be attained with the least detriment and difficulty, or which, on the contrary, will render it as light as Taxation can be made if the circumstances of the Country render such relief indispensable, but which system will of itself, at the same time, supply the means of ascertaining the extent to which Taxation can and should be carried. It is conceived that such an object would be most nearly accomplished by an Income Tax, as the materials of that measure would best enable a full and correct view to be taken of the exact degree of ability, that is, of the Income (the surest criterion of that ability) of every Class, Rank or Division into which the Community is divisible and of the exact degree of Taxation which every Class or Division, and even (if necessary) which every Individual, can and should contribute, and thus become an infallible guide, not only as to the real extent of Taxation

with all the desired minutiae, but as to the proper rates and rules by which it should be charged on the numerous different amounts and various descriptions of Income; under which system also, on any increase or reduction of Taxation, the degree of the simultaneous change in every direction and quarter would be at once known, and which knowledge would assist materially in regulating and adjusting the change in such a manner, that whether the burthen be increased or be lightened the means to sustain its future extent would be supported and encouraged as much as possible.

*The Effects and Amount of Taxation on the Productive and Unproductive Classes respectively.*

In adverting to the advantages of a Tax on Income as best maintaining or as least deranging the various Classes in their due relation to each other, that advantage as it regards the two important Divisions of them, the Productive and Unproductive, may be particularly noticed. As the relative numbers and conditions of those two divisions may mainly determine the general state of the Country, and consequently its degree of ability to sustain its Taxation, so, as a Tax on Income will best disclose that relative state, it will better shew in what manner and how far that state is from time to time affected by Taxation or other causes, while it will also tend less than any other mode of raising Taxation to disturb that proper relation between the two divisions which keeps the resources of a country at large in the most productive course. To distinguish the productive from the unproductive Classes is, it seems, a point of difficulty, there being much diversity of opinion on the subject, the distinction depending on the nature of employment, and some drawing the limits in definitions of productive laborers narrower than others, but considering the direct employment in the production of whatever is absolutely or essentially necessary and useful for human sustenance and convenience as the distinguishing quality of the productive Class, it is important to observe that the mode of taxation which will most lighten and equalize the burthen it imposes—which will the least divert Capital and Labor from their natural channels, which will therefore in the least degree discourage the means of productive employ-

ment, must be the most favorable or the least unfavorable to the maintenance of the productive classes, to that utmost extent and in that best condition which is most conducive to the interests of all classes.

It has been held that the respective numbers of the productive and unproductive Laborers or Members of the Community should, for the maintenance of it in the best possible state, bear a certain proportion to each other. Whether and in what degree Taxation has created or added to an excess in the proportion of unproductive members seems not to have been determined; on this question however, so far as it is connected with or relevant to the present Contrast of an Income Tax with other Taxation, it may be observed, that as the greatest evil of the large Public Debt and Expenditure may be in the excess in the proportion of unproductive members which it may occasion or increase, so to raise the Public Revenue by Taxes directly on Production is to aggravate the evil—to raise it by a Tax on Income is to mitigate it;—that the latter measure would not only from the substitution of its less injurious mode of operation contribute to the increase and amelioration of the productive Classes, but, by its positive reduction of the Amount of Taxation, it would in that way also diminish the number of the unproductive Classes, and remove a portion of them too which is least favorably regarded, that is—the Revenue Officers of the Crown. But any advantage to be derived in this way from a diminution in a portion of the unproductive Classes is trifling when compared with the vast benefit of an extensive diminution of those Classes which the change in the system of Taxation will occasion by loosening the shackles with which the operations of the present mode of Taxation bind productive industry, and thereby bringing into productive employ many of the most lamentable description of the unproductive Classes, viz. the able but unemployed Poor.

It is conceived that that proportion of the productive to the unproductive Classes which is most beneficial, varies with the varying extent of the Produce and Profit of Agriculture and Trade, and that not only the greatest number of productive members but that most beneficial proportion of them must be sustainable with

the greatest certainty under such system of Taxation as is most equal and innoxious.\*

*Real Amount of Taxation and Misconception as to it.*

In attempting a view of the comparative effects of different systems of Taxation, and forming a judgment therefrom as to that system which will exact the greatest amount of Taxation with the

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\* The greatest part of Taxation is Income transferred from some Classes of unproductive Members to other Classes of unproductive Members, and therefore most of the Income distributed to the Public Creditors and Public Servants would have been Income remaining among Landlords and other unproductive Members if Taxation had never been made the medium of distribution, and it may be conceived that the disposable Capital which has formed the Class of Public Creditors would by a different application than the loan of it to the State, and if therefore no public Debt had existed, have added an equal number to the unproductive Classes, in the characters of Landlords, Mortgagees, or in some character standing altogether to an equal amount as Creditors of the productive Classes.

It may on a rough calculation be stated that the whole amount of a Tax on Income to be paid by those portions of the Agricultural, Trade Classes, &c. which are productive would not exceed one-ninth part of their portion of the whole Income. Out of the sum of £37½ millions estimated as the total net payment due to the Tax by the Agricultural, Trading Classes, &c., £21 or £22 millions may be taken as the proportion payable by the unproductive Members of those Classes.—Considering the Occupiers of Lands and the Persons actually carrying on or employed in Manufactures, Commerce and Trade, as constituting the productive Classes, it may be estimated that not more than £15 or £16 millions would be payable by those Classes to an Income Tax imposed to the extent of £50 millions. If the productive Classes do not pay to a greater amount than £15 or £16 millions through their expenditure to the present Taxes as Consumers, then considering the amount of the Income belonging to them out of which it is paid, which may be assumed, including Wages, at about £140 millions; also that about one-third of the sum paid for Taxation is applied to compensate the Public Servants whose Services are as indispensable in the protection they afford to Industry as is the Labor itself of the Classes more usually denominated productive, is the sum of Taxation exacted from them of such a magnitude as to justify the complaints of "ruinous and destructive consequences of Taxation on productive Industry," unless they arise from the injurious and unequal mode in which Taxation through Expenditure is obtained?

It may perhaps be surmised that Landlords will if a Tax on Income be imposed on them seek to indemnify themselves by increasing their Rents, and thus part of the Tax intended to be paid by them will fall on the Tenants, that is, on productive Industry, but is there not an equal probability that the Tenants whose Incomes may also be taxed will seek to ease themselves by a diminution of Rents. An equal and general Income Tax will far more surely than the present Taxes keep the burthen where it may be intended to fall, which is a very desirable end in Taxation.

least general injury, it seems necessary to keep in mind that the total nominal amount of the Public Revenue is much greater than the actual amount of Taxation bearing on the real Income of the Country, and that the system which will not only require the least degree but will disclose the exact amount of actual Taxation, affords an advantage from which useful results may be gained. Much misconception may prevail on this point; sufficient allowance may not always be made for that part of the total Revenue which, as it were, it repays to itself; the larger the amount of the Revenue the larger is the proportion of it derived from those Classes who receive it, rendering Taxation on the Classes who are the real payers of it so far merely nominal. This result is not so perceptible in a Tax on Expenditure as in a Tax on Income: although the full nominal amount of every Tax on Expenditure is necessarily and actually raised, the proportion paid by each Class is not distinguished or ascertainable; but the Tax on Income, so far as it deducts from the Incomes of the Receivers of the Taxes, is a perceptible reduction of Taxation on the real Payers of the Taxes, and the actual sum of Taxation paid by those Classes respectively is seen and known. Some may apprehend that whatever Taxation takes away from the real Payers of Taxes is a total dead loss to them; if the sum exacted by Taxation were not paid in return for those productive means of Income, Capital and Security obtained from the Public Creditors and Public Servants, if it were not expended in this Country and among those from whom it had been exacted but were transferred wholly to a Foreign Power, without any benefit in return, there might be ground for that apprehension; it must not however be forgotten, that although the loss may be greatly alleviated by the Expenditure of Taxation among the real Payers of it, it may be aggravated by the means used for raising that Taxation. The actual amount of Taxation, if taken directly from Income, is assumed at less than one-fifth of the aggregate amount of the Incomes of the real Payers of it;\* what the amount of actual loss may be from any indirect effects of it, or how far that loss may be exceeded by the much greater loss arising from all the indirect effects of Taxation on Expenditure, it cannot

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\* Estimating this amount at £200 millions.

with any satisfaction be attempted to estimate numerically; it can only be advanced generally that the one system as compared with the other will defray any required amount of public Expenditure by a much less payment of actual Taxation, and with a much less further loss indirectly occasioned by it.

*Probable Effects if the Public Revenue had been earlier and wholly raised by an Income Tax.*

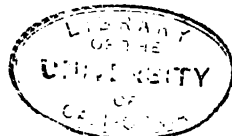
As in spite of the extraordinary extent to which Taxation has been carried during the last thirty-five years, population and production have increased in a degree far exceeding that of any former equal period of time, so it might perhaps be inferred that Taxation, taken in the whole, has not ever reached, or if it has reached, that it has not long remained at the excess or extremity contemplated under the 2nd Head of Excess of Taxation, whatever may have been the case in respect of any particular articles of it; but it may certainly be concluded that if a system of Taxation working more equally and less injuriously had always been in operation, such a crisis would not have been arrived at or so nearly approached as it has been, and a still greater augmentation of production and of population would have ensued, with less aggravation from Taxation of those occasional distresses and reverses among some classes which originated from other causes than Taxation.\* The necessity of resorting to Loans has manifested the arrival at or the approach to the crisis in question, but if direct Taxation on Income had been adopted earlier, and carried to a greater extent, a much larger amount of annual Revenue might have been obtained, with less danger of passing the extreme bound. When it is considered how very large a portion of each year's Taxation has been required to defray the interest of Loans borrowed in previous years, it may not be too much to surmise, taking all the advantages of an Income Tax into consideration, that if that Tax had been adopted at the commencement of the late War, and had been raised partly in substitution for other Taxes and partly as additional Taxation instead of resorting to

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\* During the time that Taxation in Great Britain was at the greatest height which it ever attained, the Property Tax formed nearly one-fourth of its amount, which doubtless enabled the Country to sustain the whole burthen with less injury to its resources.

Loans, the resources of the country would have admitted of such a large portion of the necessary supplies of each year being raised within it, and without greater detriment to them than they experienced from the amount of Taxation which, though smaller in amount, was raised in other more injurious ways, as that the greatest part of the Debt which was created during the War would have been avoided. Reverting to one only of the advantages which would have been realized from an Income Tax, viz. economy in expence of collection; it is estimated, that if the whole Revenue had been raised by that Tax from the commencement of the late War to the present time, the amount of saving in the expence of collection, or rather of Taxation (as so much less Taxation would have been necessary) might have accumulated by this time to nearly £100 millions, equal to about one-fifth part of the Debt created within that period.

With reference to the opinion entertained by many that the National Debt has not on the whole been prejudicial to the Country, the expression of a confident belief will be hazarded (without entering into argument on a general question on which most opposite sentiments have been formed) that if the Interest of the Debt had been provided for by perfectly equal Taxation, such as an Income Tax most nearly approximates to, the opinions most favorable to the existence of benefit from a National Debt would have been much better founded, and more demonstrably good. If the Debt has been an evil it has been so from its extreme magnitude and from the excessive amount of Taxation which it has occasioned, but as that amount of Taxation which in a depressed state of the country would fall oppressively and hurtfully might in its prosperous state bear lightly and without harm, so the same amount of Taxation which under an unequal and restrictive system would be felt as excessive, might not be so, or certainly would be much less so, under an opposite system of raising it: the extreme limits to which the two systems of taxation, Expenditure and Income, would respectively carry Taxation are, under any state of circumstances, distant from each other, and in a Country excessively taxed as this Country is stated to be, the advantage of an Income Tax, when considered under this particular head, appears most important.





*On the very extraordinary difference between the two Bases of Taxation—Income and Expenditure—in respect of the aggregate amount of Money actually levied, and the consequently advantageous effects on the Circulation of the Country of substituting the former for the latter.*

What degree of change the substitution of an Income Tax for the present Taxes on Commodities and the consequent reduction of the Prices of them would produce in the extent of the Circulating Medium or Monied Capital, and how far that particular change may affect the operations of Capital and Industry and the productiveness of Taxation, are material points to be considered. Mr. Ricardo observes, "It may be doubted whether commodities raised in price merely by Taxation will require any more money for their circulation; I believe they would not." It appears however that the indirect Taxes do require a circulation in Money larger than a direct Tax on Income would require, at least, to the amount to which the prices are increased beyond the sum of the Taxes themselves, added to the amount of the excess in the expence of collecting those Taxes beyond that of collecting the Income Tax; also, as the Receivers of the Income derived from Taxation do not in case of an Income Tax receive and then pay back in Money their share of Taxation as they do under Taxation on Expenditure, but the payments due to them are lessened by the amount of the Tax, their proportion of Taxation which therefore would require under an Income Tax no additional circulating medium or Capital for a levy of it, should perhaps be added to the amount of additional circulation to be estimated as now necessary for taxation only.

Supposing the Interest and Charge of the National Debt and the other Public Expenditure of Great Britain required a Net Revenue of £49 millions, exclusive of the Charges of collecting it, then under an Income Tax, producing a nominal net Revenue not exceeding £50 millions (allowing £1 million for the expence of collecting it), the actual levy of taxation would not exceed three-fourths of it, or £37½ millions, viz. the amount of the Tax collected from the Agricultural and Trading Classes; the remaining one-fourth contributed by deduction from the Dividends, Pay, &c. of the Public Creditors and Servants, would not be tax-

ation actually levied: but under taxation raised through Expenditure, Taxes to the full amount of £52 millions (including £3 millions for the expence of collection), must be actually levied, and superadding thereto the extended amount of Prices beyond the amount of the Taxes themselves, increasing not only all private expenditure but the amount of all other public or local rates, a sum amounting probably to £75 millions, or double the amount actually levied under an Income Tax is taken out of the Pockets of the Public by means of such taxation.—It is conceived that the extrication by the substitution of an Income Tax of nearly the sum of £40 millions of Capital from this absorption of it in the mere levy of taxation, attended as it is with the effects already described, would be a great general benefit, that the real effect of its diffusion by taxation is not such as is supposed by some persons, that is, an employment of Capital tending to increase Trade and Commerce; but that it occasions simply a pecuniary rise of every article with the price of which it is mixed up: that it is a mere addendum to the natural Cost of the article for the purpose of conveying to the advancers of the Taxes their reimbursement, without any such extension of Trade proceeding from the process, as Capital employed directly and independently in Trade and Commerce creates; in short—that it occasions Dearthness concomitant with much evil and no benefit.

It may be added that, supposing that the same proportion of the sum of £75 millions is borne by the Public Creditors and Public Servants through their expenditure, as an Income Tax would exact from their Incomes, that is about one-fourth—the proportion payable by the Agricultural and Trading Classes is more than £55 millions, making a difference between the two systems of Taxation of £17 or £18 millions in the amount exacted from those Classes as Consumers of Commodities or Owners of private Income, independent of the advance necessarily made by them as Producers of nearly four-fifths of the whole of the Taxes, and if a Sinking Fund or Surplus Revenue be raised, all the consequences adverted to are proportionably aggravated.

If, as Mr. Ricardo believes, Taxes on Commodities have not increased the amount of the circulating medium, the removal of them would not diminish it—assuming however that the Advances made for the Taxes on Commodities require additional circulating me-

dium or Money Capital], it would seem to follow, if Taxes on Commodities have forced the employment of Money Capital beyond the amount required for the necessary and the profitable use of it in Trade and Agriculture, that there is a superfluity of circulating Capital which can be dispensed with, and that the disuse of it cannot be felt as a general inconvenience; if a greater extent of circulating medium be, as some persons contend, much required at this period, the portion which would be disengaged by an Income Tax from the present diversion of it by Taxation on Commodities might soon be absorbed in that way in which, according to their opinion, an extension of circulation would be useful; and it may be observed, with reference to the objection which might be made by those persons to a diminution in any manner whatever in the amount of the circulating medium, that a direct reduction of it by an alteration in the amount or nature of the currency, wholly takes away a portion which, as they conceive, is absolutely necessary for maintaining Commerce and Trade to that full extent to which it can be advantageously carried, but if the cessation of Taxes on Commodities should actually lessen the amount of the circulating medium or Capital, it would be because a portion of it is of no use except for the purpose of such Taxation; for if it would be of use for other purposes, there would of course be the opportunity of employing it solely and independently for those purposes on the cessation of that Taxation.

As the extent of the circulating medium has within the last thirty-five years greatly increased, together with the great increase of Taxation which has taken place within that period, and as the amount of Income has at the same time been largely augmented, it might be inferred, if Taxation has been in any degree the cause of increase of the circulating medium, that it has also proportionably increased Income, and has provided much of the means to support the burthen it imposes; but it is to be considered that the increase of Income which has been created by or coincidently with increase of circulating medium has been in a great degree nominal; much of what it has gained in amount it has lost in value. However, the possibility of a diminution of circulating medium by a reduction in the amount or alteration in the system of Taxation may bring against it one particular objection, strongly urged

against the reduction of the circulating medium and consequent increase on the value of Money by alterations in the Currency, that is, the probability that it would aggravate the evil of Taxation by giving undue value to fixed Incomes derived from taxation and from other sources. If the reduction of circulation, though produced by two different causes, would nevertheless produce the same effect (but which may be doubted), there are great compensating advantages to be weighed against that particular evil, among which is the large actual reduction of taxation which an Income Tax would indisputably occasion—also the diminished Cost of production and the consequent increase of production which the cessation of Taxes on Articles of Consumption would, by lowering the prices of them, bring about, and there is the additional satisfaction, that if fixed Incomes derived from Taxation or other sources temporarily gained some advantage from an increase in the value of Money arising from a reduced circulating medium, a Tax on Income, which would operate with more complete effect on such Incomes than on other descriptions of Income, might be a sufficient counterpoise against it.

On the whole—this conclusion may be formed: that as the evils of any defects or derangements in the Currency, whether arising from errors in legislating on it or other causes, may certainly be aggravated by Taxes on Commodities, inasmuch as they absorb in a pernicious or useless way a large portion of the Circulation; there is great reason to hope that the substitution of an Income Tax will remove or mitigate that aggravation—that at all events it is safest to impose such Taxation as shall operate most independently of the ordinary process of the Circulation; for that whether the circulation consisted mostly of Coin or of Paper or of whatever proportions of them, and whether the proportions were wrongly or rightly adjusted to the general wants of them, a direct Tax would less than indirect Taxes oppose the advantages of a right—or less aggravate the evils of a wrong adjustment.

*Probable Effect on the Profits of Producers of the Fall of Prices on abolishing Taxes on Commodities.*

It has been complained that Trade and Agriculture have suffered of late from low Prices and low Profits. Without entering into the question how far low prices arising from the present causes of

them are a grievance (taking the whole Community as Consumers as well as, in part, Producers) it may suffice to observe, lest the reduction of prices on the abolition of Taxes on Commodities should be apprehended as an additional cause of aggravating the grievance, that it does not seem to follow, although the Producers who advance the present Taxes would, after the abolition or reduction of them, receive nothing or receive less in the way of repayment on that account, that they would obtain from the Expenditure of all the Consumers a less amount of Gross Receipts or a less amount of Profit. What had before returned to them as a reimbursement for a certain part of their Capital advanced for Taxation might revert to them with more advantage in return for that same part laid out wholly and directly in the extension or improvement of Trade. If the rise of prices occasioned by Taxes on Commodities diminished Consumption and Production (an effect which has ever been held out as one of the greatest evils of those Taxes), the Producers, on the abolition of the present Taxes, followed as it would be by a fall in the price of Labor and in the general expence of Production, also by a removal of the obstructions which in other ways those Taxes occasion to Trade and Manufacture, would raise Produce at less cost and with more facility; as Consumption increased they would produce still more, and though at lower prices, they would obtain on the whole an undiminished if not an increased amount of Gross Receipts, and the expence of production being reduced, an increase of aggregate Profits. If the Profits of the Producers on the whole were increased, or were not reduced, the total amount of the Income of the Country would be augmented or would be undiminished, while the value of it would be maintained, if not enhanced by the fall of Prices. It may be further observed, as the advance of additional Capital for Taxation adds to the uncertainty and risk of the whole of the Capital employed, and increases that fluctuation of Prices which is also stated to be an evil, a change of Taxation, under which that advance would no longer be required and the Capital now advanced could be employed without the disadvantages attending that advance, would produce much benefit by establishing greater uniformity and steadiness of Profit. If the Producers do now gain, they will cease to gain from advancing Taxes, but the cessation of that precarious and invidious part of their Profit would be more

than compensated to them by various advantages, among which may be included the increased value of their own Incomes on the reduction of Prices, the benefit of which they would enjoy in their expenditure in common with all other Consumers.

If the cessation of the advance of the Taxes by the Producers and the consequent lowering of Prices should be a general injury in disengaging a large sum of Capital which could not be otherwise employed or be otherwise so profitably employed, it would seem to follow that the Taxes on Commodities are not injurious, but that they should continue undiminished in amount—a conclusion which is diametrically opposite to the general sentiments entertained of such Taxation, and which if well founded would afford a strong answer to all complaints against it and to the appeals for the reduction of it.

As the diminution of the circulating medium from alteration on the Currency is attended with a fall of prices, and as Producers therefore complain of it, it is to be observed that there appears to be a material difference between a fall of prices arising from that cause and a fall occasioned by a reduction of Taxes on Commodities. The diminution of the circulating medium by reducing the Currency lowers the prices of all Articles by diminishing the total quantity of Money which had previously existed to be given in exchange for the total quantity of those Articles, so that the necessary or desired rates of Profits can no longer be obtained by the Producers—the reduction of Taxation on Articles lowers prices by taking off an addition which has been given to them in order to repay the Advancers of that taxation, which in the end brings no real Profit or Advantage to the Advancers, and which on the cessation of that Taxation will no longer be requisite.

Taking all probable effects into consideration, there seems no doubt that from the adjustment of Prices which will ensue on the change in the system of Taxation from Expenditure to Income as the basis of it, the several Classes of Producers relatively to each other, and the Producers in general relatively to the Consumers in general, would be placed on a footing mutually more advantageous and satisfactory, and that all Classes would be better enabled to bear Taxation to the utmost.

*Comparative View of the Effects produced by the Abolition of the late Property Tax instead of Taxes on Expenditure.*

It has been stated that Taxes to the amount of £25 millions and upwards have been repealed or reduced since the late War. It appears by the Public Accounts that the quantities and numbers of articles consumed or used in respect of which the repeal or reduction has taken place, have been in general much increased. Whether the reduction of Taxes on Commodities increases Consumption and Production in a lesser or in a greater degree than the imposition of Taxes had diminished them may be a question, but whatever the result may be, other causes than Taxation operating at the same time on production and consumption have probably so far preponderated over, and have certainly rendered so undistinguishable the effect or tendency of an increase or reduction of indirect Taxation, confounded as the process of it is with those causes, that any opinion or estimate as to the exact degree in which they respectively have contributed to diminish or to increase the consumption and use of the articles taxed would be incapable of proof and be too vague to be relied on. Although out of that £25 millions and upwards of Taxation repealed since the war £15 millions of it was the amount of the Property Tax, the amount of general Income has not increased, but has apparently diminished since that time; but it would be a light conclusion to infer from this circumstance that the effect of reducing Taxation had, in respect of a Tax on Income, been contrary to the effect in respect of Taxes on other articles: the alteration in the Currency may have rendered the diminution of Income, in a great degree, nominal; but that alteration and other causes, among which is the reduction of the State Expenditure and Establishments, have, it is said, tended to reduce the general rate of nominal Profit or Income, while Consumption, and of course Production, have in the aggregate continued to increase. However this may really be, it is clear that although the Agricultural and Trade Classes, out of whose Incomes the Property Tax was obtained, might nominally have saved, on its repeal, as much as they had previously paid to it, yet their real gain has not been to that extent and it has been far less than the loss which the Receivers of Taxation have sustained by the abolition of that Tax; the great diminution in the Expenditure of Go-

vernment and of the Revenue Classes has indirectly, together with other causes, prevented the Agricultural and Trade Classes from gaining or saving so much as they expected from the repeal of the Tax; it may then, on the whole, be inferred that the degree of general benefit derived from diminishing the amount of Taxation is not to be measured by the degree of evil which the imposition of it may have created; also an opinion may be formed that after Society has been long fixed in the habitude of a transfer of Income from one part of it to another by means of Taxation, more good may be effected by an improvement in the mode of raising that Taxation than by a diminution in the total amount of it; that when Taxation has been long established, the benefit of any improvement in the system of Taxation will be a certain advantage, that of any reduction of Taxation, or rather of the Public Establishments and of the Incomes of the Public Creditors and Public Servants, may be uncertain and precarious, not only in a political point of view as regards the requisite strength of the Public Establishments and the maintenance of public faith and credit, but as regards the relative conditions of the different Classes of Society or the general state of it, which may not by such reduction be adequately ameliorated. The appropriate question then under this head which the Contrast of two different systems of Taxation suggests is, whether the abolition of £15 millions of Property Tax has diffused, so much substantial relief and benefit as would have been produced by the abolition of such amount of other Taxes as the continuance of the Property Tax would have admitted. This question may not be capable of solution in any other way than by considering it as the converse of the particular question under discussion throughout this part of the Work, that is, Which is the least injurious of the two bases for raising Taxation—Income or Expenditure? To enter on it would be to repeat the arguments and statements applied to that question, the conclusion must be, whichever mode is least injurious in raising Taxation it must have been most beneficial to retain; that therefore the reduction of such an amount of Taxes on Expenditure as might have been reduced if the Property Tax had been continued would have occasioned a far greater degree of relief to the productive resources of the Nation than they have experienced from the repeal of that Tax.



*Excess of Taxation.*

3rd. *In as far as it may transfer from the Payers to the Receivers of the Taxes a share of the general Income which is more than is just or necessary.*

Although any sum of Revenue raised beyond that amount of expence which is necessary to carry on the Public Service and that amount of Annual Interest which is justly due to the Public Creditors may be considered as excess of Expenditure rather than as excess of Taxation, yet, as it is less the effect of excessive Expenditure, abstractedly viewed, than that of the increased Taxation created by excess of Expenditure, which is considered an evil, it is deemed proper to treat the injurious effect of such excess as an evil of Taxation.

*Operation and numerical Results of an Income Tax as regards the Payers and the Receivers of Taxation relatively to each other under this head of Excess ; also,  
Whether or how far Taxation, as the Instrument of the Transfer of Income, is, if equitably imposed, a general evil.*

It will be assumed for the present purpose that the average amount of the Public Revenue of Great Britain necessary to defray the Interest of the Debt and its Public Expenditure, including the charges of collecting the Revenue, is £50 millions,\* that about one-fourth of that amount (calculating as in case of a general Income Tax) may be the proportion of it repaid out of the Income of the Public Creditors and Public Servants, by whom the greatest part of it is received,† that about three-fourths, viz. £37½ millions, is the amount paid out of the Rents and Profits of Lands,

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\* Some parts of the public finance Accounts are so complicated to those who are not conversant with them, that there is great probability of misconception of them, therefore in adverting here and in other places to the amount of the present Revenue and to the various applications of it, the Sums stated may not be perfectly correct, but as the nature of this Work does not admit or require precision, the errors may be immaterial. At the period of reprinting this Work (1832), the Revenue of Great Britain is reduced below £50 millions. In the above and in other Estimates allowance must be made for such reduction.

† A part is the incidental Expenditure of Government by whom it is disbursed principally among the Trade Class ; the amount of it would be materially lessened on the abolition of Taxes on Expenditure.

Trade, &c. forming the Gross Income of the Agricultural and Trade Classes and the real Income of the Country, that the amount of this real Income, including the Wages of Labor, is £200 millions,\* and that there then remains to those Classes a Net Income amounting to £162½ millions and exceeding four-fifths of their Gross or Nominal Income.

Premising that the greatest share of the part, less than one-fifth, of the aggregate Income exacted by Taxation from the Agricultural and Trade Classes is transferred to the Public Creditors, to which, as their Capital, expended as it has been for the Public Service and diffused among the other Classes, has contributed to the production of that Income, a certain share of it of right belongs, and that the remaining share of the part exacted by Taxation is transferred, with equal right to it, to the Public Servants, without whose aid and protection the Agricultural and Trade Classes could not safely and beneficially employ their Capital and Labor, or fully and freely enjoy the fruits of them, and whereby the Public Servants in reality contribute to the production of the Income of which it receives a part; considering therefore on these premises that the Capital of one Class and the Services of the other are virtually parts of the productive Capital and Industry of the Country, and that Taxation is but the instrument or the channel of distribution of that share of the general Income which is yearly received in return from them, in what way and to what degree is Taxation of £37½ millions an evil if that share of the general Income of £200 millions distributed through it be no more than equivalent to the benefits in return for which it is paid?

Viewing the Public Creditors, on account of their Capital, as standing upon a similar and equal footing with that portion of the Owners of Lands and Houses, Partners in Trade, &c. whose Property and Capital, without any Labor bodily or mental on their part, are used in producing Income, and the employed Public Servants, on account of their services, as standing on a similar and equal footing with those actually employed in Agriculture and Trade, by whose industry and skill that Property and Capital produce Income, do the different modes by which the shares of that Income are received by the respective Classes alter essentially their relative

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\* Vide Appendix for an Estimate of this Amount.

footing? Each individual of the Agricultural and Trade Classes receives his share of the general Income from the Produce of the particular Property, Capital, &c. in which he has a particular right or on which his share is a separate and direct charge, through his own hands or the hands of a private Agent or Servant appointed by or connected with himself. The Public Creditors and Public Servants receive their shares of the general Income from the Produce of all Property, Capital, &c. on which without any particular right in that Property, &c. itself, their shares are a general charge raised by Public Servants or Agents, constituting one general Fund out of which each individual share is paid. If this public collection and division of £37½ millions, or less than one-fifth of the general Income be conducted without any greater injury to or interference with the operations of Capital and Labor, by which the whole of that Income is produced, than the mode of receipt or division of £162½ millions, or the remaining part of the general Income, among the Agricultural and Trade Classes occasions, (and as by means of a direct Tax on Income it may be) and if there be no excess raised beyond the amount justly and necessarily payable, is Taxation an evil, and if so, in what manner and in what degree?

Premising the effects of Taxation to be such as they would have been, or would be under a general Tax on Income, rather than such as they are or have been under Taxation on Expenditure, the following proposition may be submitted—If £37½ millions, or nearly one-fifth part, or whatever may be the share of the real annual Income of the country which Taxation may require, were not exacted from the Agricultural and Trade Classes, what proportion of it would they apply as Capital in their respective concerns? If they would apply the whole of it as Capital, is it not to be inferred that the remaining four parts are sufficient for their private expenditure, and that Taxation does not subject them to any personal deprivation? or if they would expend it, does Taxation deprive them of the use of it as Capital? Is not the sum exacted by Taxation and received back (each exaction before the next takes place) through the expenditure of the Public Creditors and Public Servants, among whom it had been distributed, as fully and as quickly applicable as Capital in the hands of the other Classes, as if it had been expended by the latter directly among

themselves? In so far then as the exaction from the Income of the Agricultural and Trade Classes, is a diminution of their Private Expenditure only, and if, as in case of an Income Tax, Taxation required no advance of Capital to be made by those Classes, is it such a diversion or application of Capital as lessens the means of producing Income, does it diminish the magnitude of the aggregate Capital, of the aggregate Income, or of the aggregate Expenditure of the Country?

Hitherto it has been surmised under this head whether Taxation (raised on the best possible system) so far as it is indispensibly and unquestionably necessary for carrying on the Public Service, that is, for giving to every class and every interest of the Community that full degree of protection and security without which it can neither produce nor enjoy to the utmost the means of subsistence and comfort, be really an evil, and whether Taxation (raised on the best system) so far as it is applied to discharge the Interest of the Public Debt, if it exacts no greater share from the aggregate Income of the Country than is an equivalent return for the benefit received by the Public from the Capital lent to and diffused through the State, and as fully employed in the production of Income as it would have been if it had been diffused directly through the ordinary channels, or than is the fair sum of Interest for the loan of that Capital, be really an evil; but suppose, for the sake of the question, that the sum disbursed among the Public Servants and for the incidental Expences of Government is greater than the Public Service renders absolutely necessary, also that the sum paid to the Public Creditors is greater than they are justly entitled to, it then becomes most desirable to ascertain in what degrees they respectively are greater; but it may appear, as the amount of any Excess of Taxation proceeding from those causes is fluctuating with the constantly varying state of Public Affairs and with the varying value of Money, that it is impossible satisfactorily to determine the amounts.\*† Having however supposed that an Excess of Tax-

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\* A supposition of any existing excess of payment to the Public Creditors can arise only from the presumption that, in consequence of the increased value of Money occasioned by the change in the Currency since the greater part of the Debt was contracted with them, the terms of the contract are fulfilled at a greater real Cost to the Debtors than they should be subjected to.

† Does not the excess fluctuate, not only with the varying extent of the circulating

ation from these causes does exist, suppose also it be taken at some particular amount, for the sake of forming a judgment of the extent of the evil of it by comparing it with the assumed total amount of the National Income out of which it is exacted; for that purpose it will be assumed that the nominal Income of the Public Creditors and Public Servants received out of a Revenue of £50 millions is about £45 millions, that Taxation reduces it to a real amount of about £32½ millions, that the rest of the Revenue is applied to the incidental expences of Government, that the Excess in regard to the Public Creditors is £5 millions, and in regard to the Public Servants and incidental Expenditure £2 millions,\*

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medium on which depends the value of the fixed Incomes derived from the Public Debt, but also with the varying internal condition of the Country in other respects and the varying relations between this and other Countries, rendering it always uncertain what the strength of its Public Establishments and consequently what its Public Expenditure must be?—Is it possible, having regard to these fluctuations, to ascertain, not only what is precisely necessary for the Public Service but also what is exactly equitable to the Public Creditors (supposing it were strictly just to depart from the original engagement with them)? can therefore the amount of excess of Taxation at any time be so positively determined, and if determinable, is its continuance so certain as to render it expedient and right to attempt the utter removal, or a material reduction of it, and if so, in what manner and by what rules is this “equitable adjustment” as it is termed, with the Public Creditors to be effected? Is it not both more politic and more just to mitigate the evil of any such excess by adopting the fairest and best system of Taxation, such as the Income Tax affords, than to attempt a remedy by any other means?

Excess of Taxation proceeding from the causes in question may not be a greater evil than an insufficiency of it, the opposite extreme in which an endeavor to establish the exact level might terminate: it may be as consistent with true policy that the Establishments of the Country should be rather stronger as that they should be weaker than that exact degree which the security of the Country internally and externally may require; it may be as consistent with good faith that the Public Creditors should receive, under some circumstances and at some times, rather more as that they should receive under different circumstances and at other times, less than their due which latter, adopting the ground now taken against the present Fundholders, it may be stated was the case during the late War, when from the depreciation in the value of Money the old Fundholders, Annuitants and most of those with fixed Incomes received less than their just claims.

\* It must be considered that a saving of Public Expenditure to the amount of £3 millions could not at once be effected without a reduction in the extent of the Public Establishments much greater in proportion to the whole extent of them than that sum bears to the whole expence of them, as provision for life must be made for those Individuals who are discharged; although £2 millions may not much exceed one-tenth of

making a total nominal Excess of £7 millions, and that Taxation reduces the Excess payable to the Public Creditors to £3½ millions and the Excess payable to the Public Servants to £1½ millions, making a total real Excess of £5 millions, then the proportion of the whole real Income (assuming it at £200 millions) distributed to Excess among the Public Creditors and Public Servants is 2½ per Cent. or one-fortieth part of the whole amount of it.\*

If Taxation were from no other cause excessive than as transferring from the Payers of Taxes to the Receivers of Taxes a greater proportion of the general Income than is justly and necessarily due and payable by the former to the latter, and if the extent of such excess is approximated by the result of the foregoing supposition of the Amount, it may then be observed, that though it is desirable that the most precise adjustment between those two Divisions of the Community should, if possible, be effected, yet that the degree of Excess, when compared with the total Income sustaining it, is not so considerable as to be seriously felt or regarded. Some may estimate the amount of the Excess more moderately, others more largely than the foregoing suppositions extend to; but whatever strict justice and expediency might determine the amount of Excess at any period to be, it may be further observed, in the consideration of Taxation of any kind as of itself a mitigation of this evil of it, and even of an undue distribution of any part of the general Income arising from other causes than Taxation, that

the amount of the Public Expenditure beyond the charge of the Debt, the extent of the Public Establishment must be reduced in the proportion of nearly perhaps one-fifth of it in order to effect immediately that saving.—With respect to any unmerited sinecure public situations and pensions and allowances, though it must be very desirable to avoid any such Expenditure as affording some ground or pretext for dissatisfaction with Taxation in general and fixing on it a stigma which it does not deserve, yet the saving to be obtained if all such gifts of Patronage were abolished would be inconsiderable and the benefit of it pecuniarily be hardly felt by any individual.—According to an estimate made some years since by Mr. G. Rose, if all the sinecure places and pensions objected to by the political opponents of Administration at that time had ceased, the saving would not to any Individual paying £50 in Taxes have exceeded the sum of four shillings; the rate of saving at this period would not it is conceived be greater.

\* If the Public Revenue and Expenditure for Great Britain be kept permanently reduced below £50 millions as at present (1832), this estimated Excess should be proportionably less.

the superiority of an Income Tax is evinced, for whatever Excess beyond its right any particular class or individual received of the whole Income, that Tax would be quite sure proportionably to lessen it, and so far to obtain the just redress to other classes and individuals; and this operation would be most complete in case of undue distribution of Income arising from Excess of Taxation, as Income derived therefrom cannot in any degree escape it.

But the evil of Taxation, in as far as it arises from any Excess in the amount paid to the Public Creditors and Public Servants, may be of but little importance under Taxation on Expenditure when compared with those evils of Taxation which such Taxation in other ways occasions; the mere overpayment to one or two Classes living on Taxation is not the evil from which relief is most seriously to be wished, the real and main redress to be sought for is in that change of the plan of Taxation the object of which shall be, not so much to render lighter the burthen of some by rendering heavier the burthens of others, as to diffuse a general relief and benefit over the whole by the removal of those inequalities, disabilities and impediments with which the present mode of Taxation counteracts Production, in short, to lighten Taxation by assisting and extending the general means of bearing it. The evil of Taxation, when levied through Expenditure, not only may consist less in transferring an excessive amount of Income from the Payers to the Receivers of it than in its partial and injurious operation among the former as already described, and if any of the latter do enjoy from it a greater advantage than they are justly entitled to, it may arise less from any Excess in the amount paid to them than from a Deficiency in the amount received back from them on account of Taxation; a possible evil which a Tax on Income is the most efficient preventive of.

*Equitable variation of Effects of an Income Tax on the two Classes (the Payers and Receivers of Taxation) as their relative Means vary.*

Adverting to opinions which are constantly being held out, that the amount of the present Taxes must be reduced in order to remove the distress of the Agricultural and Manufacturing Classes,

it may be suggested, as a direct reduction of Taxation cannot be effected to a material amount (with the Expenses of Government reduced to the lowest possible limit) without sacrificing the Public Creditors by means which might be dishonorable, and which would aggravate rather than lessen the extent of distress, that a general Income Tax would in effect create a reduction of Taxation operating more beneficially for the distressed classes, and be attended with less detriment to all classes, than a reduction of the present Taxes by depriving the Fundholder *exclusively*, through Taxation or otherwise, of part of his Income or Property, and be at the same time as fair a maintenance of faith with the Fundholder as any system of Taxation will admit of.

If it may be supposed that during times when the Agricultural and Trading Classes are not in a state either of unusual depression or prosperity, that the amount of the present Taxes sustained by the Public Creditors and Servants, taken in a body, bear about the same proportion to their aggregate Income as the amount of the Taxes borne by the other Classes bears to their aggregate Income ; yet it is certain that during periods of distress among the other Classes, those Classes discharge the present Taxes with difficulty out of reduced Profits, or by sacrifice of Stock and Goods, while the amount of the Income of the Public Creditors and Servants remains more fixed, and the proportion of the present Taxes borne by them during such periods becomes therefore less than the proportion which their Income bears to the aggregate Income of all classes. During seasons of prosperity the effects may be reversed, and they become such as were experienced during the late War by Annuitants and persons with fixed Incomes, most of whom suffered disproportionably from the increased price of living created by the Taxes and other causes, while the state of the other Classes in general was improved in spite of those causes, and their means increased with the Taxes they had to bear.

As however the relative state of the different Classes of Society seldom remains long the same, but is generally in a course of change, a general Income Tax would be sure, by certainly shifting or varying its weight on them as their relative condition might alter, and to the full extent of that alteration, to become a burthen falling more or less on those subsisting on the Revenue as those deriving no In-



come from it became less or more able to contribute to it; and supposing such a crisis to the National Debtors, that instead of the means to contribute three-fourths of the whole Tax, or whatever might be their proportion in prosperous or ordinary times, the highest scale at which it could be effectually imposed, would not draw from them more than one-half of the whole required Revenue, it would follow that the Public Creditors and Servants in general must contribute the remaining one-half, or in fact receive no more than one-half of their due Incomes, until, by the improvement of the condition of the Debtors, to which such a temporary apportionment of the Revenue now imagined would very greatly conduce, the Debtors should be enabled to contribute to their former extent. Without however seriously anticipating such an extremity of circumstances, it is a most satisfactory conclusion in favor of an Income Tax, which cannot be too frequently urged, that according to the degree of prosperity or adversity of the Agricultural and Trading Classes, so would the Tax be drawn less or more from that Income which the Tax itself would supply to the other Classes; in proportion to the inability of the Nation to discharge the Interest of the National Debt, the Interest of the Debt would in effect discharge itself; as the general resources of the Country increased, and the greater its consequent payment to the Revenue, the less would be the deduction of the Tax from the Public Creditors, and the greater would consequently be their Income; as the resources of the Country declined, the less would the Creditors receive; thus the relative conditions of the Public Creditors and Public Debtors would, under any circumstances, be kept more uniform, and the burthen of the Debt would be maintained in due ratio to the ability of the Country to bear it. On such grounds it is submitted that the necessary adaptation of the national means to the great end of discharging the Debt may be effected with less detriment to them, and the division of the whole Income of the Country between the National Debtors and Creditors may be produced more equitably by an Income Tax than by any other system of Taxation. The same operation would take place with respect to the Public Servants, for as the deduction of the Tax from their pay and allowances, and consequently their Net Income would be greater or less according as the contribution to the Tax by the rest of the Contributors might decrease or

increase, so in effect the compensation for their services would vary in proportion to the means of the Public to compensate them.

With reference to statements that since the alteration in the Currency, the Fundholders, whose Incomes in nominal amount are undiminished and the real value of which is enhanced thereby, are therefore in the receipt of a greater share of the general mass of Income than they are equitably entitled to, that in order to reduce them to their proper level "an equitable adjustment of contracts" should take place, meaning, it may be supposed, that the amount of their Property or Income should be reduced in proportion to the undue increase in the value of it, it is to be observed that in what manner and at what rate the adjustment is to be effected has not been specifically proposed; whatever may be the degree of this alleged inequality favorable to the Fundholders, an Income Tax, in proportion to the extent to which it is carried, would remove it, and would produce the adjustment desired, but in a manner more equitable than a reduction of the Rate of Interest or than any other means could effect it. An Income Tax to the full amount of the Public Revenue, operating on the Incomes of the Fundholders more rigidly than on most other Incomes, might nearly level any undue excess of their Income created by the change in the Currency.

It is said that Traders and Agriculturalists are desirous of high Prices, under an opinion of their tending to high Profits.—Whether, taking all effects of high Prices into consideration, that opinion be correct and that desire, as regards themselves, be prudent, seems very doubtful: one effect in particular of high Prices however is, as bearing on the present question, not to be overlooked: that high Prices, whether created by Taxes on Commodities, by the state of the Currency, or by any other cause which affects the production or value of the Commodities, must lessen the means of the Public Creditors and Servants to contribute to those Taxes, the higher the Prices the less they can consume, and consequently the less they can repay, and the more therefore the other Classes must contribute to Taxes on Commodities. It is also certain that the conflicts of interests, feelings between the Public Creditors and Servants and the other Classes may, as far as Taxation is concerned, be more equitably set at rest by a general Tax on Income than by any other mode of Taxation.

Though the Fundholders and Public Servants might have some reason to apprehend a more effectual operation of the Income Tax upon their respective Incomes, yet, it is submitted with respect to the Fundholders, that the security of their Income depends on the state of the other Classes, from whose Property, Capital, Skill and Labor it is drawn, and that although the degree of the general burthen borne by these Classes might not be so complete as in strict justice it should be, yet the greater their power to bear it the greater degree of it they assuredly would bear, that these are Considerations which together with the liberal or expedient principle in affairs in general between Creditor and Debtor of conceding somewhat to the latter for the sake of ameliorating his state or preventing its deterioration, having in view the greater benefit in the end of the Creditor as well as of the Debtor, may reconcile them to some inequality in the operation of a Tax by which, notwithstanding that inequality, the weight of the general burthen may on the whole be less partially and more beneficially adjusted than by any other mode of Taxation; There are also other considerations grounded on the relative state of the several Classes which should have weight. The Fundholder's Property is not, like other Property, subjected directly to local Rates which bear hardly and unequally on the Owners or Occupiers of the latter; also, by the deduction of the Income Tax at the place of payment, the Fundholders might be free from any of those objected proceedings for ascertaining Income which the other Classes would be subject to. It may be further observed, that most Owners of Funded Property acquire and retain it voluntarily, they can change the nature and security of their Capital at any time, and though on one hand if any unequal effect of an Income Tax would tend to depreciate the comparative value of Funded Property, yet, on the other hand, the greater security given to it by adopting the fairest system of Taxation which can be resorted to, and the greater certainty which that system will hold out of ultimately diminishing the present excessive amount of that Property by the superior means which it affords of reducing the National Debt, (as shewn in the Third Part of this Work) will tend to raise the comparative value of Funded Property.

*Excess of Taxation.*

**4th. In as far as the levy of a Sinking Fund or Surplus Revenue may be unnecessary or of inadequate utility.**

By those who are of opinion that a Sinking Fund raised by additional Taxation for the purpose of reducing the National Debt is unnecessary or is of inadequate utility as regards its particular object, or that it is so unless it be increased to such an extent and fixed on such a plan as will render it a complete and secure means of accomplishing that object, but that if carried to such an extraordinary extent Taxation would pass the extreme limit contemplated under the 2nd Head of Excess of Taxation, and occasion its own diminution, all Surplus Revenue beyond the amount absolutely necessary to discharge the annual Interest of the Debt and defray the annual expence of the Public Establishments must be deemed excess of Taxation, it is therefore now introduced as one of the heads of Excess for the purpose of distinguishing the advantage which the Income Tax offers under it.

If it be desirable to get rid of the existing amount of the Surplus Revenue, that is of all the annual Taxation which can possibly be dispensed with, and to establish some other and more certain means of reducing the National Debt, an Income or Property Tax affords the most affectual if not the only practicable scheme for that purpose: this scheme consists in rendering the Tax on Real Property subject to Redemption and Purchase.\* It may be objected that the Consideration required as purchase money for the Redemption of the Tax and exoneration of Property from it would be in fact multiplied Taxation and be tantamount to the accumulation of an annual Sinking Fund of long duration; with reference however not only to the great advantages which, as hereafter shewn, a redeemable Income or Property Tax has over a Sinking Fund kept up by annual Taxation on expenditure, and to the experienced difficulty of maintaining a Sinking Fund of large amount, but also to the supposition that any means whatever of wholly discharging or materially reducing the National Debt must be no longer contemplated, and if in that case, it became a question which would be most expedient either as a means of diminishing the National

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\* The justice, the advantages and the practicability of this Scheme are fully represented in the Third Part of this Work.

Debt though in an inconsiderable degree, (having in view principally the beneficial effect which a regular liquidation of Stock, though small in amount, has with respect to the Funds,) or as a provision in case of a temporary deficiency of Revenue, a small Sinking Fund or Surplus Revenue not exceeding two or three millions (the Amount of the present Surplus) raised by an annual Taxation, or a levy of the same amount raised annually by Redemption of Income or Property Tax, it may be presumed, that the latter would be found the preferable alternative; the Sinking or Surplus Fund, however small, must be additional Taxation pressing on all the resources of the country, and raised with difficulty from many already overburthened by that amount of Taxation which is requisite to discharge the Interest of the Debt and the ordinary public Expenditure, and with all the obnoxious proceedings of Taxation kept in full operation over the whole community; but in case of a redeemable Income Tax, an amount of Consideration equal to that of such a Sinking Fund or Surplus Revenue, might be easily obtained from year to year from those who, having full means in their possession, might as willingly, as they could conveniently, avail themselves of the scheme for exonerating their Property from Taxation: it thus might fall on those particular individual resources only which would be most adequate to meet it, and all individuals would be relieved from the aggravation of that additional yearly burthen with its attendant proceedings, which a Sinking Fund or Surplus Revenue imposes on all.

The reduction of the National Debt depending on the redemption of Income or Property Tax, might then, if the consideration required to be annually raised thereby did not exceed the amount now supposed, be confidently rested on the contingency of *voluntary offers* for the purpose, and the necessity of rendering the measure of a compulsory nature in any degree might not be apprehended:\* the funds out of which the means could be raised would not be injured by it, while the continuance of a Sinking Fund or Surplus Revenue raised by annual Taxation must depend on an excessive amount of it, forced from many unwilling Contributors by methods more destructive of the funds from which it is levied—

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\* This point is more fully discussed in the Third Part.

in the one case the object might be accomplished without inconvenience to those individuals who had the means to pay the price of it, but who on the contrary would receive an immediate and adequate advantage for it; some would redeem in the first year and others successively in subsequent years as their respective circumstances might incline and enable them to come forward, and while no Individual injury would be inflicted the general interests would not suffer; in the other case, the object cannot be accomplished without that aggravation of evils falling on all which must accompany an increase of Taxation raised upon a system such as now exists. If the amount of Taxation necessary to pay the annual Interest of the Public Debt and the Expences of the Public Establishments is excessive, the one alternative offers a certain relief from that excess—the other presents the necessity of increasing it; in the end also it would probably be found, that from the different mode of operation of the two measures, a redeemable Income Tax would discharge the same amount of Debt not only with less aggregate cost but in a less period of time.

On the question of raising a Surplus Revenue or Sinking Fund by an increase of Income Tax to an adequate extent beyond the Amount of the present Revenue, if it were deemed most advisable to depend on a Sinking Fund or Surplus Revenue rather than on any plan for the redemption of the Tax, it may be observed that the Income Tax would supply a Sinking Fund of a much larger amount than now exists without any additional taxation on the Country. The saving in the expence of collecting the whole Revenue, if the whole were raised by an Income Tax, would be nearly equal to the amount of the present surplus Revenue, taking the average amount at between £2 and £3 millions, adding then that saving and the saving in the incidental expences of Government to arise from the reduction of prices on the repeal of the present Taxes, to the present amount of Surplus Revenue, a Sinking Fund of about £6 millions would at once be created without raising a Public Revenue beyond its present amount. The improvement in the various productive sources of Income which the repeal of the present Taxes would occasion and the consequently augmented produce of the Tax on Income would greatly increase the Surplus Revenue, and ensure a reduction of the National Debt with much less danger of

failure and disappointment than under a Sinking Fund raised upon the present system of Taxation.\*

*On the Branches of the present System of Taxation which might be discontinued on the substitution of an Income Tax, and the consequent great diminution of the Number of Persons subject to Taxation.*

A large proportion of the Revenue is at present raised by direct Taxes, and though they do not partake of all the evils which are attributed to Taxation on Commodities, yet, as a great part of them, viz. the Assessed Taxes, are much objected to, not only as unequal but as obnoxious in the procedure of them, it is also worthy of notice, that if they were abolished on the revival of an Income Tax, a Tax objectionable in the way of procedure would not be substituted without getting rid of another branch of Taxation which is raised in a similar manner, but which falls on many persons more hardly and obnoxiously than the substituted Tax would fall; and though this part of the change would be the continuance of one of the several existing machineries of Taxation, the rest of them might be discontinued.

The following branches might cease on the substitution of a sufficient amount of Income Tax, viz. the Excise, Stamps, including Legacy Tax, Assessed Taxes and probably the Customs,—the machinery of the Post would remain as the means of an indispensable Public accommodation, but as it would no longer be instrumental to Taxation the charges for Letters might be reduced to one-fourth of their present amount.

With respect to the expediency of continuing any part of the Customs as protecting Duties, it may be observed that the diminution in the Cost of Production and in the Prices of Articles to take place on the reduction of the present Taxes would render protecting Duties unnecessary or less necessary, and if that kind of Taxation could not be wholly got rid of, it might be so far reduced that the temptation to Smuggling would be removed and with it all the obnoxious part of the machinery now in force for preventing it. If prohibitive Duties could be wholly dispensed with but if it were

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\* The levy of a very largely increased Sinking Fund by means of an Income Tax without any additional burthen on the country, is fully entered into in the Third Part.

necessary for the sake of useful public information to ascertain the quantities and value of Imports and Exports, very trifling and mere nominal Duties would be sufficient to defray the expence of the establishment of Officers to be maintained for that purpose.

A suggestion will be offered in the Third Part of this Work of the means for equitably repealing the Land Tax unredeemed; if it were not repealed, it would be raised together with the Income Tax, the same machinery being applicable to both.

If all the direct and indirect Taxes were abolished and a general Income Tax substituted, there would be a much less number of persons than is at present subjected to the *direct* proceedings of Taxation while the number of all those who would pay to the Income Tax directly or by way of deduction would to the number of all those who directly or indirectly pay to the present taxes, not much exceed the ratio of one to four.

#### *General Observations on the Advantages and Expediency of an Income Tax.*

The Writer of these pages would not deny or extenuate those objections to the late Property Tax which were fairly imputable to it, he would rather expose and add his testimony of them, so far as they occurred to his observation, with a view to the impartial consideration, in the Second Part of his Work, of any remedies for them. While he is conscious that this great financial measure merits an advocacy far beyond such as his abilities can give to it, he is nevertheless aware that however ably advocated, it cannot convincingly or justly be held up as amounting under any practicable form to a perfect plan of Taxation, and that it is recommendable only in the way of comparison with other modes of Taxation; but confident he may safely be, that if it could be advanced in practical operation near to that degree of superiority over them which it holds in principle and theory, it would be advantageous to the Country to renew it, and to carry it to the utmost required extent of the Public Revenue. Whether or to what degree it be capable of such improvement beyond its former operation may be the point for determination, but a further trial on the best practicable modified plan of it, would, he sanguinely trusts, decide most satisfactorily in its favor.



*On the grounds for Preference of old to new Taxes.*

In recommending the substitution of an Income Tax for other Taxes, it must be admitted that the system of Taxation which has been long established possesses, in spite of the faults of it, a great advantage over another system which, though superior in principle and in plan, is comparatively new and strange. The present system has in a great degree become fixed in the habits of the people from its extraordinary duration, and reconcilable from a sense of the inevitable necessity of a large Public Revenue and of the impossibility under any scheme whatever of Taxation of raising it in an unobjectionable manner; it is however the subject of constant complaint as any particular classes or individuals are or conceive themselves to be injuriously or unequally affected by it. The late Property Tax, after a disadvantageous trial of it on a plan which may have been imperfect, was not, when the promised time of its cessation arrived put in competition with the present system, as one of two alternatives to be chosen, it was not offered as a substitute and in a modified form\* for an existing burthen, but as an addition to it and with a continuance of all its obnoxious procedure, and was, it is apprehended, condemned and rejected principally, if not avowedly, on that account; the Tax had also been under the disadvantage of being raised together with other Taxes in the aggregate of much larger amount, which not only made the weight of it more severe, but prevented the comparatively equitable operation of it from being fairly tried or clearly perceived, and as it had been expressly imposed as a temporary measure by a pledge given in the Act itself for the discontinuance of it at a specified period (the end of the War) the fulfilment of the promise was claimed with a feeling which prevailed over every consider-

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\* No material modification was proposed on the attempt to continue the Tax after the War excepting a reduction of the Rate of Charge. The intention, as declared, was to prolong it for two years only, but that intention after the pledge given in the Act itself that the Tax should cease at the end of the War, was mistrusted, and the declaration of it had not the desired effect.

ation, but which arose probably more from a desire of the riddance of a heavy Tax than from any objection to the principle of it or to those proceedings by which part of it was enforced, and which in language were so warmly deprecated. If there had been no such promise and consequent expectation of the cessation of the measure, if the continuance of it could have been offered, not as an additional burthen, but as a substitute for an equal or larger amount of other Taxes, and divested of its most objectionable provisions, the Property Tax would in all probability have met with a different fate, and to whatever extent it might have been carried on these terms, the community would by this time have become sensible of its superiority in the various bearings of it as a Tax compared with the present Taxes in general.

Contemplating then a future Income Tax as an exchange for another burthen, it is just and due to the measure to state that though time and experience, increased knowledge and matured judgment might be necessary for bringing it to as perfect a state of execution as it is practically capable of, yet a far less degree of those requisites than the present system of Taxation has had the benefit of would advance it to that state, and convince the community of the advantages of it. The Excise at its first institution and long afterwards was as much reprobated as the Income Tax has been, "it was necessary to use the people to it by little and little, and thus by degrees the Excise became perpetuated,"\* it was observed at a period when the amount and number of Excise Duties were small compared with their present amount and number, that "its very name from its first origin to the present time has been odious to the people,"\* implying a degree of unpopularity which has subsequently much abated though the system is still viewed and felt as very obnoxious. When additions have been made to the Excise and to other branches of Revenue they have often been creations of new and strange imposts, not merely increases of old ones, and they have been attended with obnoxious proceedings operating where and in a manner in which such proceedings had never before been felt—but if on a substitution of an Income Tax for the

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\* Blackstone.

present Taxes it were necessary to effect the establishment of it "by little and little" for the sake of obviating any temporary or partial inconveniences and of gradually reconciling the change where it would be most heavily felt, though justly so, that is, wherever Taxation is now not fairly borne, the successive additions to the first imposition of it would not be the introduction of a novel and unaccustomed procedure—the operations of an Income Tax when carried to the utmost possible extent of it would not, in the way of procedure, act more extensively and objectionably than under the smallest amount of the Tax: an increase from time to time of the rate or rates of charge would be merely an increase in pecuniary payment without any extension of or addition to the proceedings, while every such increase would not only admit of the repeal of a larger amount of the present Taxes, but would get rid of the more obnoxious and injurious procedure with which that heavier exaction is attended.

Some will however think that whatever has been long settled had, in spite of all its faults, better remain, they will admit the superiority of an Income Tax and regret that the Revenue had not from the beginning been raised by means of it, but will nevertheless conceive that the existing Taxes having been so long established are preferable to a new though a lighter burthen, that any great change, though beneficial in the end, will create much dissatisfaction and disturbance for some time at least, as many from various motives will decry and oppose it; this appears to be an opinion founded more on cautious apprehension than on firm reason or sound policy; others may doubt the utility of a change on the ground that it would be only the needless shifting of a burthen or deprivation from some to other persons, that the weight and magnitude of the burthen and deprivation would remain nearly the same; this objection, if of any force, is not more applicable to a change in the plan of raising Taxation than to a reduction in the amount of it, which in fact is the mere shifting of a deprivation from one class to another. By improvement in the mode of Taxation there is a certainty that the Tax Payers in general will pay with more equality, with less inconvenience, and be better preserved from sustaining a loss which the Tax Receivers do not gain; whether on reduction in the amount of Taxation occasioned by a

diminished Public Expenditure the Tax Payers gain all which the Tax Receivers lose appears very questionable. Though the great object of regard in a change in the system of Taxation may be more the general benefit than the partial consequences to a comparatively few, yet the shifting of the burthen from some shoulders to others is important in as much as it is equalization, which is not only an act of individual relative justice but is favorable to productiveness of Revenue and is therefore a general benefit. Those who only or mostly will suffer by the change to an Income Tax will be Misers, Absentees, and Smugglers; most of these persons who can and will evade the present Taxes and others who can obtain undue saving or profit by the evasion of them will be opposed to the substitution of that Tax in lieu of them.

*On the Popular opinion and feeling with respect to an Income Tax and on the particular Objectors to it.*

Many persons will admit that the levy of an Income Tax would not meet with much difficulty in times of general quiet and content, but there will be an apprehension in their minds that at periods of popular excitement insurmountable or very serious obstructions might arise—but it may be asked whether any general excitement aiming at some such speculative or such necessary Changes, not connected with finance, as are the occasional objects of popular feeling or opinion, is to be earnestly regarded in the collection of Taxation at any other times than when real distress and adversity press on the great body of the people, these causes only inclining them to call for such changes as the supposed remedies for their grievances; whether under those circumstances, as it is in periods of distress that the comparative advantages of an Income Tax are most sensibly to be felt, in as much as the relief from Taxation to every individual in proportion to his distress is obvious, and the burthen of it as obviously falls on those most able to bear it, it may not rather be anticipated that the levy of an equal Income Tax would create much less discontent and meet with less difficulty than other modes of Taxation are at such times attended with, more particularly as the great majority of the people, the

lower classes, whose situations are most to be consulted and whose feelings are most to be dreaded at those periods, could be wholly exempted from the Tax.

If the Receivers of the Taxes had no other dependance for the payments due to them than the clandestine manner in which the amount is exacted from the pockets of the Payers by indirect taxation, frail would be their Security: If the honest feeling of the Community at large had not been the surest, if not the only guarantee to the Public Creditors for the faithful payment of their Interest, it may be imagined that they would long ere now have experienced the fallacy of relying on any particular mode of obtaining it from their Debtors—if the great body of the Public could desire to defraud its Creditors and Servants, or would carry any popular end by stopping the Revenue, though indirect taxation might oppose some difficulties, those difficulties would be surmountable and in a way which would greatly aggravate the ordinary consequences of such a stoppage, far more than would the bare refusal to pay direct taxation, unaccompanied as that refusal might be by any other act of violence or mischief.

Although the constitutional mode of stopping the Supplies as a means of compelling the Crown to yield to popular desire in respect of any particular measure is lodged in the Lower House of Parliament, an opinion is speculatively hazarded that it might not be so very impolitic as may be generally apprehended, that the people should also in themselves possess some power of the same nature; such a mode of manifesting popular power would doubtless be a great evil, and yet it might be less than that which could be obviated by it; the people can adopt means more violent and ruinous for the attainment of their ends—the destruction of Property and Life itself—the annihilation of all order and authority—means which may be attended with lasting and irremediable consequences; the refusal to pay direct Taxation may be a temporary inconvenience only, and during its existence some settlement of the object of contention may take place without further popular acts to aggravate that inconvenience. Such a crisis as a general refusal to pay Taxes for the purpose of coercing the Legislature or the Executive Authorities is not likely to occur, unless under such very imperious circumstances as may

render it on the whole most advisable to concede to popular demand, and it may be the most politic alternative to risk with them such a kind of influence as the power to withhold the Taxes affords, rather than to drive them to resort to more lawless and dreadful proceedings.

Those who would not concur in these speculative sentiments—who would decidedly object to an Income or Property Tax because of the mode of levying it, also all those who do not approve of Taxation, direct or indirect, as a means of distributing a part of the National Income among those who are entitled to it—may, in case of the adoption of an Income Tax, have the encouraging consideration that it will afford, as shewn in the Third Part of this Work, the most just and effectual, and (judging from the repeated failures of attempts to discharge the National Debt by an annual Surplus Revenue and accumulating Sinking Fund), the *only* practicable plan of honorably liquidating the National Debt and thereby of getting rid altogether of that proportion of annual taxation, and at the same time of placing the National Creditors on that secure and desirable footing on which Owners of Real Property have ever stood.

It does not however follow that *all* those persons who contribute less to Taxation on Expenditure than they would to a Tax on Income would object to the latter, many persons who live parsimoniously, but who are honorably minded, would most willingly contribute the full share of their means which a fair mode of Taxation would require from them, and it is presumed that all who entertain a proper sense of those public obligations, which the application of Taxation fulfils, will readily pay whatever they ought respectively to contribute though demanded and collected openly and distinctly as a Tax, and will cheerfully meet any requisition or proceedings which may be necessary and reasonable for ascertaining and fixing the just amount.

It is conceived that those from whom it is most difficult to raise direct taxation, if the proceedings for obtaining it depend on themselves, consist of two descriptions; first, those who disregard the fulfilment of pecuniary obligations of any kind and who will not scruple to violate them whenever they can; secondly, those who though they would not neglect or evade pri-

vate obligations are disinclined to the discharge of those of a public nature, either from a want of sufficient sense of or from indifference to the claims which the Public Creditors and Public Servants hold on them, or from not receiving at the particular moment when they pay a direct Tax the supply of any want, in the same manner as when under indirect Taxation they obtain an article of consumption on paying the Tax on it which is confounded with the natural price of it—this last Class is probably numerous, but it is confidently believed that the great majority of those who are in such circumstances of life as to become chargeable to an Income Tax are influenced by better feelings, while under that Tax, all, or very nearly all those among whom sentiments unfavorable to Taxation may most naturally and excusably prevail would or could be exempted from it.

Some would justify or palliate indifference to, or avoidance of public obligations, by the opinion that they are improperly incurred, or are carried to an unnecessary extent; but a consideration more appropriate with them might be, whether the share which every one is called on to contribute is neither more nor less than, according to the principle of equality by which Taxation should be governed, he ought to contribute; that just redress from any excess of Taxation which those Persons would seek, may lay more in the means by which Taxation is raised than in the way in which it may be afterwards expended by the State. To those who will however consider that relief from Taxation is to be obtained more by direct reduction in the amount of it than by any alteration in the mode of raising it, it may be answered that the substitution of an Income Tax will afford the relief in both ways—if they insist that it is by retrenchment of the Public Expenditure only that relief from Taxation is to be sought, it is contended that in the event of any mitigation of the Public burthens by other means than by improvement in the mode and by saving in the expence of collecting Taxation, the Income Tax will nevertheless stand in the same favorable position of contrast with respect to other Taxes as it does at present; the advantages and expediency of the change, though they may be in degree less, will ever be important under any reduced amount of the Public C argues.

Taxation besides its peculiar difficulties has to combat that com-

mon one, which other pecuniary obligations have to contend with—Avarice—this succeeds more easily and quietly, and therefore more extensively, under Taxation on Expenditure than under a Tax on Income; this Tax is its most formidable foe, and operates so effectually against it as sometimes to excite those feelings which when vented openly are not always attributed to the true cause—the blame which should rest with the Complainant is too often thrown upon the Tax, or, more improperly still, on those whose duty it is to raise it strictly and impartially.

The principle of an Income Tax is founded on Justice; it is a maxim that for the attainment and maintenance of Justice in any branch of the Civil Polity some evil must be endured; Why should not this maxim be strictly and fully applied to Taxation?—Justice in Taxation with its undeniable benefits, can never be obtained until the Community will submit to pay the price of it. With reference again to that frequent plea (generally made with great exaggeration and much shew of feeling) against an Income Tax—its inquisitorial powers—are not such powers constantly being exercised in a similar manner and for similar objects, where the rights of individuals, or local and public purposes require it? the procedure of an Income Tax, under a properly modified form, would subject the honest part of the Community, in its operation for their protection against the dishonest, to less annoyance than the proceedings for the attainment of Justice in other affairs of a public nature often inflict on them.

It may however be alleged by some that if human frailty will oppose obstacles to Taxation, the great object should be to levy it in such a manner as would best meet or avoid them; with reference then to this object, it may be sanguinely hoped that when Taxation is established in a more open and direct form, and upon the more equitable and beneficial terms which that form admits, and a conviction of its justice and its advantages prevails, the obstacles which factious, selfish or mistaken feelings or opinions may at first oppose to the change and to the peaceable execution of the measure will for the most part be gradually overcome, and that in time very few excepting those whose disposition with respect to pecuniary obligations in general is naturally wrong, and who will therefore obstruct Taxation in any form, but who are unworthy of serious regard, will remain the constant or decided enemies to it.



Among the objectors to an Income Tax there must not be overlooked a portion of the numerous Political Opponents of Administration, some of whom might, for opposition's sake, decry the measure when brought forward by the Government; the more the Change might promise to relieve Government from its financial difficulties the more vehement might be that opposition; but as it may be presumed that authentic sources of information sanction the following statement made in a recent publication on "Financial Reform," it is to be inferred that the general opinion has become of late far more favorable to an Income Tax. "In selecting a new Tax there seems to be but one opinion with respect to what that Tax ought to be. Persons who hold the most opposite doctrines on the subject of Financial, Commercial, and Agricultural difficulties, in suggesting remedies have made an Income Tax a part of them."\* It may certainly be concluded that longer reflection on and further experience of the present system of Finance, since the Property Tax was abandoned, has created a change in the minds of many who were formerly opposed to such a Tax.

That the substitution of an Income Tax would mitigate on the whole the evils of Taxation a doubt need not be entertained, judging from the nature of the evils of the present Taxation, although those evils may be much less in extent than they are generally imagined to be; but there may be expected some difference of opinion as to the *degree* of mitigation which will arise from the change, and it must be admitted that the expediency of a revival of the Income Tax will depend not only on the degree of the benefit to be derived from it, (and unless the probable degree be considerable some would not be inclined to make the attempt,) but on the pre-existence of a general expectation and conviction that such benefit will really be experienced. A popular desire and call for the substitution of an Income Tax, so that it may be, as it were, self imposed, must be the strongest inducement and justification for resorting to it, and would be also the most satisfactory answer hereafter to any complaints against its operations, if there should

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\* Sir H. Parnell, Bart. M. P. Chairman of the Select Committee on Public Income and Expenditure, 1828, *On Financial Reform*.

be any such causes of complaint as unavoidably arose out of the system itself and not from any remediable defects in the enactments or execution of it. Whether it be, as has been stated, that "it was the general voice of the people which stopped the Property Tax," or whether it be that it was the clamor of, comparatively, a few, which stopped it, it may be expedient that the restoration of such a Tax should depend on the "voice of the people," and until that voice be unequivocally expressed or the sense of the community at large be known to be generally in favor of the change, that it should not be adopted.

*Adaptation of an Income Tax, to the peculiar Difficulties produced by the National Debt.*

The immense Amount of the National Debt seems to place this Country in a situation of peculiar difficulty from the apparent impossibility of a right adjustment of it; it is contended that an Income Tax offers the best if not the sole expedient for that purpose, whether as a means of equitably discharging annually the Interest or of equitably liquidating the Principal of the Debt.

An Article on "Taxation and Expenditure" in a periodical publication\* contains the following remarks:

"The effect, after all, of the National Debt on the general internal circumstances of the Country, and on the intercourse between man and man involved in all the transactions of business, is not, perhaps, as correctly understood as might be expected, in a Country where a National Debt has so long existed. If an individual has a rental of £5,000 per annum, and pays in direct or indirect Taxes £1,000 per annum, which he would not pay but for the existence of the National Debt, he is in point of fact, not the possessor of £5,000 per annum, but of £4,000. If a servant receives £20 wages, and pays, in direct or indirect taxation, 20 per Cent., in point of fact his real wages are only £16 instead of £20. If this illustration were pursued, it would be found that every person, the payer of direct or indirect Taxes, must be so much the poorer in consequence of this

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\* *Quarterly Review*, December 1836.

" National Debt; but nevertheless that—admitting for the sake of  
 " argument that the Debt could be so adjusted that every man  
 " should only pay a certain amount, which should be exactly 20  
 " per Cent.—all parties would remain in the same relative posi-  
 " tions to each other as if no Debt existed. Now let the case be  
 " supposed, that in a Country where no Taxes exist a Proprietor of  
 " Land has a rental of £5,000 a year, and a mortgage of £20,000  
 " at 5 per Cent. upon his Property, he would be precisely in the  
 " same situation as an English Landlord whose real Income would  
 " be £4,000 and not £5,000 per annum. The effect therefore of  
 " the National Debt, if it could be duly adjusted, would be to  
 " make every member of the community nominally poorer, as to  
 " real Income, but yet to keep all of them equally rich with re-  
 " spect to each other; and this most important condition must be  
 " remembered, that the Debt would exclusively fall on those par-  
 " ties who paid Taxes directly or indirectly. If population were  
 " not redundant, if the demand for the services of the labouring  
 " classes were proportioned to the supply of labour, those classes  
 " would suffer the least from the operation of the National Debt,  
 " because they would secure themselves by an adequate rate of  
 " Wages from any burden of the Debt which could fall on them  
 " beyond their fair share as direct or indirect payers of Taxes.  
 " But when population is redundant, they have no compensating  
 " remedy of this sort.

" The main inconvenience arising from the National Debt con-  
 " sists in the utter impossibility, with any ingenuity of legislation,  
 " of adjusting the different proportions of that Debt which parti-  
 " cular classes should in equity contribute so permanently as not  
 " to admit of occasional dislocations of such contributions; for, of  
 " course, when from such dislocation, in itself unavoidable, any  
 " one class is called on to pay more in point of fact of the gen-  
 " eral Debt than its own fair share, the distress and injury of all  
 " who belong to it must be the result. It is perfectly well known  
 " that every human being sustains a weight of air of great magni-  
 " tude, but that from the equality of the pressure on every part of  
 " his body he moves about as if the pressure did not exist. The  
 " moment however that that uniform and balanced pressure is  
 " removed from any one part, then it is that the weight of the

“ atmosphere is felt, and, as every person conversant with the elements of natural philosophy knows, would, if suffered long, injure if not destroy the human frame. This analogy would be applicable at all points to the National Debt if that Debt were not in its essence an evil; for if the Debt could be adjusted to every person with that mathematical accuracy with which Nature has adjusted the pressure of the air, it is not a paradox to say that much of the inconvenience of the Debt would cease to be felt. But the main and the essential evil lies behind, it is this, that under a system of National Debt a thousand circumstances require to be directed by legislation, which would find their own level without legislation but for the existence of this universal mortgage; and nothing is more to be regretted than that the speculative remedies suggested by ingenious men for the annihilation of the Debt by a concurrent sacrifice on the part of all classes of the community, involve measures infinitely more complicated even than those which are necessary for adjusting the practical inconvenience inseparable from its existence.”

It is presumed to hope that it has been shewn under the preceding heads of this Work that the National Debt could, by means of an Income Tax, equitably planned and effectually executed, be so adjusted as to leave the several members of the community nominally poorer as to real Income, and yet keep them equally rich with respect to each other, as contemplated in the above Article, or that this important object could be attained more nearly by an Income Tax, though in some degree imperfect in plan and execution, than it is by the present mode of Taxation; that considering the National Debt as a Mortgage on the Property and Income of the Country at large, an Income Tax would more uniformly and more equally than the present Taxes, collect from each member the fair share due from him to the Interest of it, and leave him, whether he were one of the Public Creditors or one of the Public Debtors, or whether he stood in both characters, with that amount of Income which there should justly remain to him; and as it appears that at periods when Wages are reduced, the Laboring Classes of the population cannot prevent the burden of the Debt, falling on them beyond their fair share as payers of the present Taxes, and that although, under any system of Taxation, occasional

redundancy of population and the distress arising from excess of supply of labor beyond the demand cannot be prevented, an Income Tax borne almost exclusively by the upper and middle classes in proportion to their respective means, would occasion to the Laboring Classes less aggravation of the distress, or be a less obstacle to the removal or mitigation of it, than Taxes on Expenditure, which render their reduced means still more inadequate to supply their wants, and which laid on articles of consumption and use, make more difficult the restoration of Trade and Manufacture from a state of depression.

If the charge of the National Debt and of the Expenditure of the State were to be sustained by a general Income Tax, those occasional dislocations of equitable contributions on the part of particular classes adverted to in the Article just quoted, would not take place or they would be much less in degree and less inconvenient if they occurred than under the present system of Taxation. An uniform and balanced pressure on the different classes would be maintained with more exactness and with less difficulty; and as the many circumstances alluded to which are now required to be frequently directed by legislation, would, in case of an Income Tax, find their own level gradually and easily, without the frequent interference of the Legislature, and as there would be less complexity in the means used and less partiality in the effect, the National Debt would in its essence be a less evil and the inconvenience of it be less felt. On an increase of Taxation to a great amount, in case of a war or other emergency, every thing would retain or quickly resume its proper or former relative state, there would be no such injurious revulsions among particular classes as arise from sudden and large impositions of Taxes laid on the Materials and Produce of their Trades, and raised out of their Capital; and whether an augmentation or a reduction of Revenue should take place, the requisite increase or decrease of rate of Income Tax would not only more equally but would simultaneously diffuse the additional burthen or the relief over all classes; some interests would not, as on similar occasions under the present plan of Revenue, be permanently or even temporarily more burthened or relieved than others; the effects on the Laboring Classes, whether taxed or untaxed, would be correspondent with those on their Employers,

the multifarious supplies of labor would be less variously affected than by the present Taxes, Taxation would add less to those fluctuations in them which originate from other causes, and the aggregate quantity of employment and number employed would be augmented.\*

As the principle of a perfect Tax on Income is equality, and as it is wilful evasion among those subjected to it which only renders it in practice unequal, so that consideration becomes the more important, if, as observed in the article just adverted to, "for the payment of the National Debt Government has no individual character of responsibility; to provide for that payment is the business of the Nation at large; its amount is not regulated by discretion, which is the case in Establishments, or in the current Expenditure for which Government is responsible, the extent of which Expenditure is less than one-third of the whole." If the Legislature offers a plan of equal Taxation to enable the Nation to provide equitably within itself for that payment which it is its business to make, if the Creditors and Debtors be furnished with the fair means of adjusting their concerns with each other, with such powers of prevention against fraud as are consistent with those general opinions and feelings of the Community itself on that head to which the Legislature must have regard, blame cannot justly be imputed to the Legislature or to the Government if dishonesty among those subject to the Tax renders it unequal and increases in some degree the burthen of the fair contributor.†

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\* It is also hoped that in the Third Part of this Work it is shewn that an Income Tax affords such means of annihilating or reducing the Principal of the National Debt as are neither "speculative" nor "complicated."

† It may be the duty of the Legislature and the Government to effect whatever shall be in their power in order to establish and maintain equal and just Taxation, but they cannot accomplish every thing; much must depend on the Nation itself, and whatever imperfection in theory or defect in execution there may be in the system of an Income Tax, though as well framed and executed as human wisdom and exertion will admit, any unequal effects of it may be far more imputable to causes existing among the community itself, which the legislative or executive powers cannot adequately control. It may appear an inconsistency that persons defrauding others by evasion of Taxation constantly escape the merited penalty of the law, and lose not their credit or footing in society; while persons committing frauds by other means than Taxation, suffer not only the punishment of the law but wholly forfeit their private character; the latter

*On the Principle of the mode of levy of a Tax on Income.*

Some Persons may be averse to direct Taxation upon the plan of an Income Tax on account of that very principle of it for which others most approve of it—that *the people should be taxed by themselves*; some will condemn it as imposing an invidious task often unwillingly undertaken and sometimes executed in an obnoxious and partial manner, others will commend it as the most free and constitutional mode of Taxation, delegating the powers to men independent of the Crown, on whom a sense of public duty calls to execute them, and which powers are less likely in their hands to operate obnoxiously or partially than when vested in the Officers of Government independent of the people, particularly when it is made the interest of the Officers to execute those powers with rigor and severity. All County, Parochial and other local Rates are raised by the people themselves without the interference of Government; that interference in the levy of those Taxes would not be tolerated; it may be alleged that local Rates often create local strife, but it may be observed that the Expenditure as well as the Levy of the Monies is placed under the local Authorities, and dissatisfaction and dispute are more generally occasioned by the former than by the latter abstractedly, or by the amount than by the mode of collection; these Rates or Taxes are in general it is conceived levied in a fair and unobnoxious manner, though they may be in some places unsatisfactorily expended. It was not the powers given by the late Property Tax to the local Authorities or the mode of exercising them, but those intrusted to the discretion of Crown Officers which were most objected to—against the conduct of the Commissioners, of their Clerks, of the Parochial Assessors and

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only is considered a disgraceful offence, and the guilty individual is driven from respectable society; the former, pretendedly considered as merely cheating the Revenue or Government, is scarcely treated as a disreputable transaction, and the offender may continue in society as if he had committed an act with which it had no concern.—Obloquy is too often cast on the public officer whose proceedings in discharge of his duty prevent fraud and protect society, and too seldom on the fraudulent individual whose selfish disregard of the injury he commits against others has occasioned those proceedings. That fraud is committed by one in self defence against the effects of the frauds of others can be no greater palliation of it in Taxation than in other affairs of life, and in a moral point of view it cannot be doubted that offences of either description are equally culpable.

Collectors, but few or no complaints were preferred; it was that part of the procedure entrusted to the Crown Officers, wherein some would consider that the constitutional principle was departed from, which was most deprecated, and though that kind and degree of vigilance and check against evasion, which are best kept up by reward proportioned to the discovery and prevention of it, may be essential to protect the Revenue and maintain equality of Taxation to the utmost possible extent, it may be necessary in a future measure so far to circumscribe the powers given to interested men specially employed for these purposes, that the good they can do shall not be overbalanced or approximated in degree by any evil they can occasion.

*On the Objections against the Continuance of the late Property Tax, which were contained in the Petitions presented to Parliament, and otherwise promulgated.*

As most of the modifications of the late plan of Property Tax, submitted in the Second Part of this Work, have been offered for consideration with a view to meet the objections expressed in the numerous Petitions presented at the termination of the late War to the House of Commons and through other channels, against that Tax, so far as they applied to the plan of it, it may be desirable to advert to the objections in general offered therein against its continuance.\* It must be premised that nearly all the Petitions, as well as most other published statements of that time, conveyed sentiments of the measure in very general terms; they were for the most part such as were applicable to Taxation in general as well as to the particular Tax which they were more expressly aimed

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\* It was observed during the discussions in Parliament on the Property Tax, that the Petitions, though numerous, did not represent the general sense of the People, for that much the largest proportion of the whole Country prosecuted no Petitions.

The following Scale was exhibited.

	Total number in Great Britain.	Number from which Petitions were received.	Proportion from which Petitions were <i>not</i> received.
Counties .....	84	14	$\frac{1}{6}$
Districts .....	791	98	$\frac{1}{8}$
Cities, Towns, Boroughs, and principal Places ..	1186	56	$\frac{1}{21}$

37 Parishes distinctly presented Petitions.



at; it may not be presuming too much to infer from them that relief from any other part of Taxation to the same extent would have been equally acceptable and satisfactory to most of the Petitioners; but the pledge given in the Property Act itself of the discontinuance of it at the end of the War, marked out that Tax more especially as the object of repeal, and gave the particular enemies of the Tax itself and the opposers in general of Government a great advantage over it. Most of the Petitions did not enter into the grounds of the objections which they in general terms expressed against the Tax; so whether there was a general concurrence in those particular grounds of objection which were more fully stated in a few Petitions, and whether those grounds were just and reasonable, may be a question; the proposed modifications have however been submitted on the supposition that they were so. The objections of most importance, which applied to the *plan* of the late Tax, are stated under the 2nd. and 3rd. of the following heads of the principal objections offered against the continuance of the Tax.

1st. Distresses among the Agricultural and Manufacturing Classes.

2nd. Inequality.

1. As sufficient distinction was not made between uncertain Income dependent on Labor and on Life or Health, and secure and perpetual Income derived from Property.
2. As Incomes of whatever amount were, with an insufficient exception, charged by the same general Rate, instead of a graduated Scale.
3. As all Income from occupation of Lands was charged at the same assumed proportion of the Rent instead of at the actual Profits.

3rd. Exposure and inquisitorial procedure aggravated by an interested and arbitrary exercise of discretionary powers given to the Crown Officers.

4th. Breach of faith in violation of a pledge given by Parliament that the Tax should cease at the end of the War.

As the objection most generally and most strongly urged against the continuance of the Tax was the great distress prevailing at

the period when it was attempted by Government, it cannot but be observed that the reasonableness of this objection depended on the endeavor which was made to prolong the Tax (though at a reduced rate) as an addition to other existing Taxes without holding out expectation of any adequate abatement of those Taxes. If the continuance of the Tax had been proposed as a compromise for the repeal of an equal amount of other Taxes, (or of more than an equal amount as would have been practicable without any decrease in the total amount of the Revenue) then the plea of distress would have stood on a totally different footing. The distresses of the times would have then afforded the most forcible and just reason for the continuance of the Tax in as far as it would have pressed most lightly, or not in any degree, where distress mostly prevailed, and therefore the greater the distress and the further the extent to which the Tax had been carried *as a substitute for other Taxes* the stronger would have been the expediency and justice of its continuance, and such may be the answer to the same objection if in consequence of the distress of any subsequent period it be raised against the revival of the Income Tax at such a period.

With respect to the alleged inequality of the late Tax on the grounds adverted to in some of the Petitions it is to be considered that there may be great difference of opinion as to the fairness as well as the policy of any or of much distinction between Incomes of different denominations and also Incomes of different amounts.\* If however such distinction be proper in one or both respects, a future Income Tax may be framed accordingly; any distinction governed by the *denomination* of Income may be carried into effect easily and completely; a distinction regulated by the *amount* of Income, if extended to all classes, may particularly in cases of mixed Incomes meet with some difficulty in the procedure. The rule under the late Act of charging all Lands at the same proportion of Rent in respect of the profits of occupation may be capable of some satisfactory modification.

If the Petitions which deprecated, and a few of them with extreme virulence of language, inquisitorial proceeding and exposure of private affairs as arising out of the measure, did truly state actual

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\* This point is fully discussed in the Second Part.

consequences experienced and did candidly disclose the real objections entertained by all the Petitioners, it appears surprising that a great number of Persons did not avail themselves of the option offered by the Act of being assessed by Referees chosen by themselves, by which they might have avoided the proceedings they so warmly condemned and on which they so much relied in their opposition to the Tax. The Crown and Parochial Officers had no interference in cases of Assessment by Referees, the Commissioners were bound by the sum determined on by them and had only the power of rejecting improper persons as Referees. The Assessments and Payments in those cases were or might have been made in such manner that the amounts could have been known only to the Referees and Commissioners—and yet the whole number of Persons who availed themselves of this proffered security against vexatious proceedings and exposure of affairs and who were assessed by Referees did not exceed twenty!

An apprehension was expressed in a few of the Petitions to Parliament and through other channels, and it was an apprehension which in all probability influenced many who objected to and resisted a continuance of the late Property Tax, that Government was not in earnest for that degree of Retrenchment which appeared to the objectors absolutely necessary, that it desired the assistance of the Tax to enable it to maintain too largely the extraordinary Establishments which the War had rendered unavoidable, it was concluded by them that the abolition of the Tax would compel that degree of Retrenchment which would not otherwise take place. This was a political objection, which it is not necessary to enter into in this place, though it is worthy of mention as exhibiting one among other considerations of a mere political nature which operated against the Tax, but which did not imply any real objection to or affect the character of the Tax itself.

It was alleged as another reason for not continuing the late Property Tax that it is a Tax which it is advisable to reserve for a period of War only; this reason may be founded on an opinion, that in times of emergency greater inconveniences and sacrifices not only in the amount of fiscal exactions, but in the mode of raising them must be submitted to; but if the fact be that the ordinary Peace Revenue, as well as any additional War Imposts, can be

provided by an Income Duty indisputably at a less aggregate sacrifice in pecuniary amount, by means less injurious to the general Interests, and by proceedings not individually more obnoxious on the whole than those for raising other Taxes, if so much so, the reason is founded on false premises, and no ground for rejecting at one period and acquiescing at another in a measure which is best for all periods can be started, which is not inconsistent—besides—the difficulties of such an emergency as a War should not be increased by resorting suddenly at that particular juncture to a Tax against which a general prejudice (well founded or not) may be existing; as the transition from Peace to War creates much derangement in Commercial and in other affairs, it may be most politic to avoid any aggravation of that derangement by a change then suddenly made in the mode of Taxation in order to raise the additional supplies requisite for the emergency; though a Tax on Income is of all Taxes the most fair in principle and the least injurious in general effect, yet as it would affect more seriously at such a time, if then commenced, and in all probability at the most inconvenient time, many of those on whom Taxation had not before sufficiently fallen, particularly if it were raised to a large amount, it seems desirable that the change should be gradually accomplished during the quiet and less embarrassing period of Peace, and that on the commencement of the War the requisite additional supplies should be obtained not by any new Taxes creating sudden and great revulsions in Commerce, Trade, &c. which are at such a period more deeply felt, other causes then combining to render them so, but by an augmentation of the Rates of Taxation already established which would operate equally over all classes with the least possible disturbance. The same reasoning in a great degree applies to that change in the state of circumstances which arises on the transition from War to Peace from the sudden and large reduction of Taxation which may then take place. “ In order “ to carry into effect an attempt to avoid the necessity of hav- “ ing recourse to loans in a new War, with any chance of suc- “ cess, some preparation is indispensable while we are in a state “ of Peace. In the first place, a moderate Income Tax should be “ imposed, as has already been suggested, as a foundation to raise “ in the first year of War, a full year’s produce at an increased

“ per centage; for, if no preparation be made, when War should happen, every thing will be in confusion, and all money matters under great embarrassment. There will be no time for deliberation, every thing will be done in a hurry, every kind of expedient will be adopted that promises the means of overcoming the difficulties of the moment; and as the raising of money by loans will appear to divest the War of its chief privations and hardships, this will be in all probability, under such circumstances, the course adopted.”\*

*A more general Diffusion of the burthen of the Poor Rates by means of an Income Tax.*

Without entering into the question of the justice or policy of converting the Poor Rates from a local into a general Tax, but assuming that if such a change has been desirable, the difficulty of effecting it is one reason that it has not taken place, it is suggested that an Income Tax would furnish a fair and effectual means for the purpose.

It might be impolitic to cast the whole of the charge of the Poor Rates over the community at large by means of a general Tax; such a complete diffusion of it might require the direct interference of Government in or some objectionable control over the affairs of Parishes, it might lessen the inducement in each place to keep down the expence of its poor and thereby encourage pauperism; it might therefore be advisable that some part of the burthen created by each Parish should be sustained exclusively by itself, and that it should always have the entire management of its own poor and of the expenditure of the sum laid out upon them.

Having these considerations in view, it is suggested, not that a distinct Assessment should be made to an Income Tax for the purpose of being applied expressly to defray the expences of the Poor, but that the Poor Rates should be continued to be charged and raised as at the present period, and that a certain proportion of the sum paid to the Poor Rate by each Contributor to it should be taken in satisfaction of so much Income Tax due from him.

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\* Sir H. Parnell, Bart. M.P. on *Financial Reform*.

Suppose the Poor Rates amount annually to £7 millions, and that one-half of that amount (or any other proportion which may be more just or expedient) be allowed to the Payers of it out of their Income Tax; in that case sufficient might be retained for local taxation to constitute that greater degree of the burthen which each Parish should bear on account of its own Poor; and as the total amount of the Income Tax must, if one Moiety of the Poor Rates be deducted out of it, be increased in that amount, viz. £3½ millions, in order to maintain the full required Public Revenue, a sufficient proportion of the Poor Rates would be thrown upon the Community at large to render the expence of the Poor as much a general burthen as it ought to be.

Those relieved from one moiety of the Poor Rates would nevertheless pay to it their proportion of the general addition to the Income Tax, and their Property which is depreciated at this time by excessive payment to the Poor, would, in consequence of the improved value of it, contribute proportionably more to the Income Tax.

As the Poor Rates fall mostly on that source of Profit from which the greater part of the Income Tax would be drawn, viz. Land, the arrangement now suggested might be the more just and expedient; it might however be a condition that in proportion as in any case the Wages of Laborers were paid out of the Poor Rates, the benefit of it should be withheld.

It is not conceived there would be much difficulty in the adjustment of the accounts with the Parishes or the individual Payers; it might be effected either by collecting the full sum of the Poor Rates from the latter and making the due allowance to them directly out of the Income Tax to which each would be charged in the same Parish and in respect of the same Property as he would be charged to the Poor Rates, or by collecting the full sum of Income Tax and one-half only or other fixed proportion of the Poor Rates, in which case the other moiety or proportion might be paid in the aggregate by the Collector or Receiver of the Income Tax to the proper Officers of the Poor Rates.

*Just and benevolent Effects in periods of Distress of the mode of relieving the Poor just suggested.*

It may be surmised that in pursuing the course just suggested of raising funds for the relief of the Poor in general, more effectual and equitable means will be attained of relieving also the severe distresses arising among the Laboring Classes from those depressions of Agriculture, Trade, and Manufacture which occasionally happen. It may be asked, whether those Classes have not, under such extreme circumstances, a just demand for such a distribution of the general Income as will provide for them the means of subsistence (of which there may be full plenty for all) instead of becoming dependant on the precarious and insufficient funds such as are sometimes raised in their behalf through charity and compassion, more particularly as the Community at large, at periods when the supply of labor much exceeds the demand for it and the Wages of it are very low, obtain the produce of it at much cheaper rates, and therefore benefit by what occasions severe suffering to the operative Classes; whether also those Employers of the laboring Poor on whom the increased local burthens now mostly fall, and at times when they also, suffering from the same causes of depression, are less able to bear them, have not strong claims with the Poor themselves for some degree of assistance from the Community at large out of the general fund of Income: and whether, finally, there is any other mode of Taxation so fair and practicable as the Income Tax for carrying such a measure of justice or of benevolence into effect in proportion and as often as the necessity for it arises.

*On the applicability of an Income Tax to a more equitable and less injurious mode of levying Tithes, and to other National Objects.*

As it is a general complaint (justly or not made) that the mode of raising Tithes on or in proportion to the Gross Produce of Lands adds greatly to the burthen they inflict, and exacts it with

much inequality, it is submitted for consideration whether the mode of raising an Income Tax does not suggest, if it might not also be made instrumental to a more equal and less injurious plan of taking Tithes.

If Tithes could be converted from an Occupier's to an Owner's Tax and be paid out of and in some proportion to the Rent, the amount of Tithe might be made payable by the Landlord, and in the manner of the Income Tax, it might be collected from the Tenant with the power of deduction out of the Rent, observing the same rules of charge and recovery as apply to the Income Tax. Under this arrangement all Lands of the same quality, whether titheable or tithe-free, would entitle the Owners of them to the same amount of Rent, and in case of an Income Tax, as the Owners of titheable land would be liable thereto for the increase of Rent which they would of course receive, they or the Tenants for them would deduct that Tax proportionably from the Tithe Owners, in respect of the Tithes.

Tithes are now in effect a diminution of the Rent of the Landlord, but from the mode of levying them, it is said, they inflict a loss also on the Occupier and an injury on Lands by preventing or discouraging the improvement of and cultivation of them to the utmost, and if so, the result on the whole is, that the loss is greater to the Payers than the Gain is to the Receivers. The conversion of Tithe into a direct burthen on the Landlord would be a mere nominal change so far as he would be affected—he would either receive a larger Rent and pay the stipulated amount or rate of Tithe to the Owner of it or receive a less amount of Rent, and the Tenant would pay the stipulated Tithe for him. Lands of different qualities would be more equally charged than when Produce is the basis of charge, and the Tenant would be relieved from an obnoxious procedure. Tenants would adjust in respect of the Tithes with their Landlords on the commencement of their Leases, and, as is extremely desirable, whatever difficulties the adjustment of Tithes might give rise to would take place between Owners and Tenants instead of between the Clergy and their Parishioners.

To other National Objects, the expences of which now fall altogether locally, an Income Tax might be instrumental as a means, in the same manner as in respect of the Poor Rates, of distribut-



ing parts of the burthen of those expences generally over the whole community, such as those necessary for assisting Emigration or Colonization, and others which may be considered as incurred though principally yet not solely for local benefits.

An Income Tax might also be more equitable than the Assessed Taxes in regulating the Rights of Counties and Boroughs to send Members to Parliament, or the number to be chosen by them respectively. Whether an Income Tax might be constituted the datum to determine the *right* on the part of Individuals to vote for Members of Parliament, (it having been held that the right of every Individual to such vote should depend on his payment to the burthens of the State) is a question involving considerations irrelevant in this place; but if a general Income Tax, as providing for the whole or greatest part the expence of the State, would be a fair and expedient datum for regulating this very important Right, it could be rendered an easy and sure practical means for that purpose.

*Patronage of Government diminished by the substitution of an Income Tax for other Taxes.*

However just in principle and important in utility the Property Tax was generally admitted to be during its former existence, it was at the close of it represented by some as objectionable in another point of view than its mode of operation and its burthen as a tax; it was held out as a means of power with which it was dangerous to entrust a Government. Without entering into the ground of this political objection, it may be observed that in one essential respect an Income Tax would diminish the power of Government, for its Patronage would be lessened by the great reduction in the charges of management and collection of the Revenue, and by the different system of raising an Income Tax under which the number of persons employed who would hold offices under Government would be very small compared with the number of Crown Officers employed under the present system of Revenue; the greatest portion of the persons engaged in the assessment and collection of the Income Tax would be independent of Government. The select and limited number of Com-

missioners of the different Counties and Districts, Gentlemen of independence and of the highest respectability, possessed of a certain amount of property to be qualified for executing the office, and chosen periodically by a General Meeting from among the great body of Commissioners of the respective Counties, &c. would render their services gratuitously, their honorable and impartial line of conduct might be relied on, their Clerks, annually appointed by them, would be men of great respectability, whose office would not be under the control of Government, they would be paid for their services by a poundage fixed by the Act of Parliament; the Assessors and Collectors would be Parochial Officers in whose appointment Government would not have the smallest interference, they also would be allowed a poundage fixed by the Act, but which, in most cases, would be an inadequate compensation for their trouble, risk, loss of time, and expences, yet, inconsiderable as would be the amount of the whole charge of managing and levying the Income Tax, it may be estimated that at least two-thirds of the amount would be the sum of the poundages paid to the classes of individuals above-mentioned, so that after deducting from the remainder the expences of printing Forms, Stationery, and other incidental and necessary disbursements, not of the nature of personal compensation, there would remain a very small proportion for rewarding the services of Officers appointed by Government.

The total number of persons holding Revenue Offices conferred by and under the immediate control of Government upon the system adopted for an Income Tax would not probably amount to one-twentieth part of the whole number of such persons employed upon the present system.\*

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* By an Account published some time since; it appeared that the Number of	
Officers employed in the Customs, was	8,506
Ditto ..... Excise .. „	7,386
Ditto ..... Taxes .. „	386
Ditto ..... Stamps.. „	187
Ditto ..... Post .. „	848
Total .. 17,307	

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*Application to an Income Tax of the four Maxims or fundamental Rules of Taxation.*

The foregoing Contrast of two Bases of Taxation, Income, and Expenditure, has been divided into such heads as it is conceived are best calculated to exhibit it in the most essential points of view. A division might have been made according to the four fundamental Rules and Maxims of Taxation, "the evident justice and utility of which," as one of the ablest Writers\* observes, "have recommended them more or less to the attention of all Nations." These Maxims, as stated by that Writer, are as follows.

1st. "The subjects of every State ought to contribute towards the support of the Government as nearly as possible in proportion to their respective abilities, that is, in proportion to the Revenue which they respectively enjoy under the protection of the State.—In the observation or neglect of this maxim consists what is called the equality or inequality of Taxation.

2nd. "The Tax which each individual is bound to pay ought to be certain and not arbitrary. The time of payment, the manner of payment, and the quantity to be paid, ought all to be clear and plain to the contributor and to every other person.

3rd. "Every Tax ought to be levied at the time or in the manner in which it is most likely to be convenient for the contributor to pay it.

4th. "Every Tax ought to be so contrived as both to take out and to keep out of the pockets of the People as little as possible over and above what it brings into the public Treasury of the State.

"A Tax may either take out or keep out of the pockets of the People a great deal more than it brings into the public Treasury in the four following ways:—

"First, The levying of it may require a greater number of Officers, whose salaries may eat up the greater part of the produce of the Tax and whose perquisites may impose another additional Tax upon the People. Secondly, It may obstruct

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\* Adam Smith.

“ the industry of the people, and discourage them from applying  
 “ to certain branches of business which might give maintenance  
 “ and employment to great multitudes. While it obliges the  
 “ People to pay, it may thus diminish or perhaps destroy some of  
 “ the funds which might enable them more easily to do so.  
 “ Thirdly, By the Forfeitures and other Penalties which those un-  
 “ fortunate individuals incur who attempt unsuccessfully to evade  
 “ the Tax it may frequently ruin them, and thereby put an end to  
 “ the benefit which the Community might have received from the  
 “ employment of their Capitals. Fourthly, By subjecting the  
 “ People to the frequent visits and the odious examination of the  
 “ Taxgatherers\* it may expose them to much unnecessary trouble,  
 “ vexation and oppression; and though vexation is not strictly  
 “ speaking expence, it is certainly equivalent to the expence at  
 “ which every man would be willing to redeem himself from it.”

It may with satisfaction be affirmed, that there is not one of  
 these excellent Maxims taken in the whole, or scarcely a part of  
 any one of them taken distinctly, to which a Tax on Income does  
 not more fully conform than Taxes on Commodities levied through  
 Expenditure, and it is hoped that the foregoing Contrast, though  
 not divided in the order of these Rules, may assist to shew that an  
 Income Tax does possess those recommendations which, according  
 to these Rules or Maxims, the best system of Taxation should pos-  
 sess, in a greater degree than any other mode of Taxation whatever  
 which could be devised.

*On a PROPERTY TAX, viz. a Tax on Income derived from Pro-  
 perty only.*

If in respect of Procedure or in other respects an *Income Tax*,  
 however modified, would in reality be more objectionable than the  
 present mode of Taxation, and so far so that it could not confidently  
 be expected that the Country in general would ever be reconciled  
 to it, there remains the alternative of a *Property Tax*, properly  
 so called, that is a Tax on the Income derived from Property  
 only, which though not perhaps likely to confer to the full extent

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\* Alluding to the Officers of the Excise, which branch of the Revenue had been the  
 particular object of reprobation for a long time before these observations were written.

on the Community at large the advantages which, as contended under the preceding Contrast, are to be derived from an Income Tax extending to all descriptions of Income, is, it will be supposed, more free from certain objections to that general Tax; and as the public opinion and feeling, whether justly entertained or not, have appeared to be less favorable to an Income Tax than to a Property Tax it may be very essential to discuss the Justice and the Expediency of the latter, and to consider how far and in what manner the adoption of the limited Tax may afford the advantages of the more general Tax.

On the Justice, abstractedly considered, of directly taxing the Incomes of Persons in Trade and Profession and other Incomes not derived from Property, there may not be entertained a difference of opinion—such Incomes derive protection from the State and should indisputably contribute to the expence of the State in proportion to that protection; and this argument may hold whether an Income or a Property Tax be a substitute for or an addition to the present Taxes; but as in case any kind of a Tax on Income be imposed, Taxes on Expenditure may be repealed, and as Income from Trade, &c. has in the expenditure of it, ever contributed to those Taxes without a doubt of the justice of such Contribution, there appears no just reason why Persons in Trade, &c. should be relieved by the imposition of a Property Tax at the expence of Owners of Property.

The superior nature of Property as a more secure and permanent source of Income may justly subject it to a Tax on Income at a higher rate than other Income; and unless upon that principle, a Tax, if confined to a small amount, may be justly laid on Property exclusively, it is on the ground of the *Expediency* of confining the Tax to Income accruing from Property that the adoption of such a Tax is to be defended.

Proceeding then at once to the question of the expediency of a Property Tax it may be premised that if a Property Tax be substituted for Taxation on Expenditure there will certainly be derived much of the advantage which would be gained by substituting an Income Tax as the mere abolition of Taxes on Commodities would lessen evils created in a greater degree by the Process of such Taxation.

The difficulty of ascertaining in a satisfactory and unobjectionable manner the amount of uncertain Income as Income from Trade and Profession, may be the most, if not the only, expedient ground for a Property Tax.

The objection on the score of expediency to a Tax on Property may be the injury which besides a disproportionate exaction of the Tax, might be sustained by the particular Class or Classes exclusively subjected to it, and that the injury and loss would be greater on the whole to the Community at large than a general Tax would inflict. This objection may, perhaps, be best considered by endeavoring to trace the effects likely to arise from exempting from a Tax on Income those descriptions of Income which would not be chargeable to a Property Tax.

*On the probable effect of exempting from an Income Tax Profits of Trades and Professions, also Wages, and other Incomes derived wholly or principally from Labor.*

It has been the opinion of some persons that the burthen of Taxation cannot be equally spread over all Classes and Individuals of the Community through the channel of Expenditure, unless every article of consumption and use, whether of luxury, convenience or necessity which is the object of Expenditure be taxed—it is however conceived that equality or generality of Taxation would not through Expenditure be more nearly attained by giving to Taxation that universal direct application, while it may be apprehended that the difficulties of so graduating such a very comprehensive scale of Taxation that every article should be taxed at its due rate according to its relative utility and importance would be insurmountable, and that other effects of Taxes on Commodities, before adverted to, would be aggravated; this opinion may be more confidently held on reference to the best authority for it, where it is stated that “in order that the greater part of the Members of any Society should contribute to the Public Revenue in proportion to their respective expence, it does not seem necessary that every single article of that expence should be taxed.”\* An extension of Taxation to all Articles

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\* Adam Smith.

without exception may be less necessary if the increase of prices of Articles already taxed increases the prices of Articles not taxed; and if Taxes thus indirectly fall on Articles not directly taxed; there appears no doubt that Taxes on Commodities necessarily shift themselves in this manner, though, as it may be apprehended, in very unequal degrees and through a very injurious process, and that "many Taxes are not finally paid from the Fund or "source of Revenue upon which it was *intended* they should fall." After these analogous remarks there may be stronger reason to consider, if Taxation on Commodities does not operate more unequally or in any way more injuriously because some Commodities are not taxed, whether or how far direct Taxation on Income would operate less equally or more injuriously, if some descriptions of Income were exempted from it. It may be most expedient that the operation of Taxation on some Incomes should in the one system, as well as that Taxation on some Commodities should in the other system be mediate rather than immediate, it being held as certain that Incomes as well as Commodities not directly taxed will by intermediate means be made to bear the burthen in some if not their full degree, more particularly if such Incomes be not of a fixed nature but capable of being varied from time to time as other circumstances affect them.

The descriptions of Income which may fall more particularly under this consideration are—1st. Wages and other Incomes derived wholly or principally from Labor:—2nd. Profits from Trades and Professions.

1. On the question of inequality or other effects to be produced by exempting Wages—that is, daily or weekly Wages of manual Labor: it may be observed that all Income is derived from Land, Capital. or Labor, and consists of Rent, Profits, or Wages; that the conclusion to be drawn from the maxims and rules laid down by Writers with respect to Taxation, is that it is expedient to confine Taxation, direct or indirect, to Rent and Profit, and to keep Wages as free therefrom as possible, that a Tax affecting Wages, whether laid on Wages directly or on the necessities of life which the Laborer must consume or use must in general raise Wages, that it is in fact a Tax on the Profits of the Employers, or on the

Expenditure of the Consumers, or on both; the Laborers must have the necessary means of subsistence, and though there may be periods during which the rates of Wages rise above the ordinary rate or means of subsistence, they soon from natural causes decline to their usual level and often fall below it, and it may be worse than useless to take from those that can have very little or nothing whatever to spare. "From the effect of the principle of population on the increase of mankind, Wages of the lowest kind never continue much above that rate which nature and habit demand for the support of the Laborer" \*—"While the demand for Labor and the price of Provisions remain the same a direct Tax on Wages of Labor can have no other effect than to raise them somewhat higher than the Tax; not only the Tax but something more than the Tax would in reality be advanced by the Person who immediately employed the Laborer and who must get back the Tax with a profit for the advance of it, the final payment would in different cases fall on different persons."† By repealing Taxes laid on the produce out of which Wages are paid or Taxes laid on the articles on which Wages are expended and taxing the Profit of every branch of Agriculture, Trade, &c. whether Wages be also taxed or be wholly exempted, it seems probable that the Rates of Wages will be liable to less fluctuation, not only as regards one branch of Labor relatively to another, but as regards one period of time with another; whatever the probability in this respect may be, a certain advantage of the direct Tax on Income is that the application of Taxation to Wages and to other small Incomes derived wholly from Labor can thereby be avoided if expedient, or it can be applied in whatever degree it may be deemed advisable to impose it on them. It however seems most desirable and partly for the sake of avoiding a troublesome and difficult procedure, to exempt all Incomes derived from weekly or daily Wages, and to compensate to other Incomes for the exclusive Taxation on them by the more natural and easy method of reducing the rates of Wages to whatever level the ordinary or just value of Labor, or the condition of the Laboring Classes may then prescribe; but whether Wages were directly

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\* Ricardo.

† Adam Smith.



taxed or not, all descriptions of Labor would be placed, so far as regards taxation or the effects of it, on the due relative footing best calculated to maintain that free employment of it in its various sources which will tend most to their common benefit, for though if an Income Tax were extended to Wages the collection of it would be troublesome and difficult, it would not be attended with that inequality of effects among the numerous Classes of Laborers which Taxes on Commodities introduce among them, when considered in the characters both of Producers and Consumers; if Wages were not taxed, yet as the Tax would fall most on the Profits of those branches of Trade and Agriculture which were most successful and profitable, and least or not at all on those which were in a reverse state, so the Workmen and Laborers of different Trades and Concerns would by the equality in the operation of the Tax on their respective sources of employment be indirectly affected by the Tax in proportion to their relative means.

“ It is of importance to distinguish clearly between gross Revenue and net Revenue, for it is from the net Revenue of a Society that all Taxes must be paid. Suppose that all the Commodities in the Country, all the Corn, raw Produce, manufactured Goods, &c. which could be brought to Market in the course of the year were of the value of £20 millions, and that in order to obtain this value the labor of a certain number of men was necessary, and that the absolute necessities of these Laborers required an expenditure of £10 millions, I should say that the gross Revenue of such Society was £20 millions, and its net Revenue £10 millions. It does not follow from this supposition that the Laborers should receive only £10 millions for their labor, they might receive £12, £14, or £15 millions, and in that case they would have £2, £4, or £5 millions of the net Income. The rest would be divided between the Landlords and Capitalists; but the whole net Income would not exceed £10 millions. Suppose such a Society paid £2 millions in Taxes its net Income would be reduced to £8 millions.”\* This definition of gross and net Income is adverted to principally for the sake of the further view it offers of the convenience of Taxation

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\* Ricardo.

on Income in the respect now under consideration; to no other kind of Taxation can gross Income present itself, so that no other than that part of it (*Net Income*) out of which only it must finally be paid shall be directly and solely subjected to it. However expedient it might be to exempt wages from the operation of taxation, taxes on expenditure will not admit of it. If it be the sure result that on whatever objects Taxes be laid they must ultimately fall on *Net Income*, that is, on Rent and Profits exclusive of Wages, does it not strengthen the various other considerations for which it is best to impose Taxation in such a way that it shall fall at once on net Income instead of transmitting it through the circuitous channel which the distribution of Commodities affords, and depending on the unequal division of the burthen which expenditure creates? The Laboring Classes are doubtless injured by their Wages being constituted the means through which a large portion of the present Taxes are obtained; and this injury takes place without giving proportionate ease to net Income—it may even aggravate rather than lessen the ultimate burthen on that Income; all these are unnecessary and avoidable evils of Taxation, for not only a direct Tax on Income can be so imposed as to fall directly on no other than net Income, but Wages after undergoing that degree of reduction which a relief from all other Taxes and the limitation of Taxation to net Income might render indispensable and just, would no longer suffer unnecessarily and unequally by Taxation, but whatever degree of the burthen they indirectly bore would not be greater than that which, from the ulterior effects of Taxation imposed directly and exclusively on other Income, should of absolute necessity and in strict fairness be borne by them, and Wages of all descriptions of labor would endure those indirect effects of Taxation with perfect relative equality. If any part of the Wages of Laborers were rendered liable to the Income Tax, it might be that portion which they received of the *Net Income*, on the ground that out of what they were paid beyond the expence of absolute necessities they could spare a part\*—but as it must be very difficult to decide whether there were any such excess or as it might exist in but very few cases and be inconsiderable in amount, and as, if taxed

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\* On this principle it would seem that the late Property Tax proceeded in taxing the highest rate of Wages only, viz, those exceeding 30s. per week.

it must be assessed at very low rates, it is conceived that the other Classes living on the rest of the net Income could hardly wish for the trifling relief which the Tax extended to such cases might afford to them.

The Incomes of Occupiers of Lands may be comprehended under the present head, but the effect of exemption with respect to them may be anticipated with certainty; an exclusive Tax on the Landlords would surely lead to a proportional increase of Rents, and thus the Occupiers would be indirectly taxed in the proportion due from them.

Other Incomes derived wholly from Labor are principally those of the Public Servants under Government. In case of a Tax on Property this Class could not consistently be charged—but as the substitution of such a Tax for Taxes on Commodities would in some degree reduce the price of living—their Salaries, Pay, &c. might be somewhat reduced which might bring the same gain to the Public as a direct tax on them.

Incomes derived wholly from Labor by the Servants of Commercial and Trading Companies and of private Individuals in Trade and Profession, may be considered as comprehended under the following head of Income derived from Trade and Professions.

2nd. As the Assessments to the late Property Tax on Profits of Commerce, Manufactures, Trades, Professions, Vocations and Employments in the way of Trade, were more unequal and deficient than those on other descriptions of Incomes, and as the most serious objection to that measure was founded on the proceedings for taxing those Profits, it appears the more advisable, if that objection would not admit of sufficient remedy in a modified general Income Tax, to consider the probable effects of a total exemption also of that description of Income. Suppose therefore that the Trading, Professional Classes, &c. were wholly exempted from the Tax, and that a substitute Tax could not be imposed on them exclusively, (such as is suggested under a subsequent head) then the question might be whether the subsequent dealings between those and other Classes would produce to the latter a compensating effect for the exclusive taxation of them. It is to be concluded that the Trading and Professional Classes must in that case part with the products

of their Capital and of their labor and skill at cheaper rates, and that in this manner a large proportion of the Tax would be indirectly cast on them, probably not much less than they would return and pay if charged directly to it. If Property be exclusively taxed the proportion of its Income otherwise expended will of course be less. Commodities must then of necessity be sold cheaper in some proportionate degree, and the Owners of Property will be partly compensated by that consequent cheapness. When Taxes on Commodities, are paid or advanced direct to the Revenue by any one Class exclusively, they are necessarily, however unequally or imperfectly, and however injurious the process, shifted on the other Classes in the course of mutual dealings between them, so if any Class be left untaxed, or be unequally taxed by a Tax on Income, the subsequent dealings and engagements between it and other Classes would tend to the due equilibrium.

Though Taxation should be imposed in proportion to the benefit which each person receives from the protection of the State and to the interest he possesses in the Country, yet, as has been remarked the trading part of the people are not so much interested in the Country from any value possessed by them which is fixed in it, as the Country is interested in the trading part of the people, the value is more with themselves; if it were not for kindred, manners and language, Traders might become the inhabitants of other Countries, and many, notwithstanding, often do transfer themselves. The trading individual labors under disadvantages much greater than those which the man of acquired property is subjected to—the man of acquired property possesses an interest which is not only fixed in the Country and permanent, but which is also less exposed to greater risk and uncertainty than the interest possessed by the Trader; besides these considerations, Property owes much of its extension and improvement to Trade and Commerce, the more free from the weight and operations of Taxation Trade and Commerce may be, the greater are the means of that extension and improvement, and a large proportion of the Profits of Trade, &c. if not taken away by taxation, may be converted into Property and thus produce Income contributing to Taxation.

With respect to a Tax on the Incomes of the different Profes-

sions in particular, it has been argued in a periodical Review\* that there is no ground for the objection so much relied upon, that an Income Tax would fall with disproportionate severity on Professional Incomes, that its injustice to them is apparent, not real, that the condition of Professional men must be affected by every Tax laid exclusively on Landlords and Capitalists to the same extent as if it had been extended to the Professional men, that it is immaterial to them, when a Tax is laid on Income, whether they pay their full share or obtain a total exemption, that the situation of Professional men must bear some certain relation to the situation of those among whom they reside or practice; if the condition of Landlords and Capitalists be improved or depressed, the precarious situation of Professional men must be maintained, their interests are inseparably and indissolubly connected with those of other Classes, they must rise and fall together, that as an exemption of the Professional Classes might at first improve the condition of them, numbers would be soon attracted to them and the competition would reduce the advantage, that if they were to be exclusively taxed, the effect would be reversed, the competition for their services and the improved means of other Classes to pay them would bring them to the same relative state as if the Tax had been laid equally on all Classes. If the principle maintained by the Reviewer would shew itself practically good, if it would be in real effect indifferent whether the Profits of Professional men were taxed or not taxed, if they would be rewarded in the same degree whether exclusively charged or exclusively exempted, it is a principle which would appear applicable in a great degree to Incomes derived from Industry and Labor of all kinds, bodily or mental, it might be carried to the extent either of throwing all Taxation on Rent and the bare Interest of Capital and of charging Landlords and Capitalists exclusively, (a system for which there have been able advocates,) or of throwing Taxation wholly on Labor, (a system which has not been without its proposers). A difficulty is started with the proposition in the Review, that the adjustment or equalization of effects contended for cannot be immediate, and in the mean while

the hardship and injustice of inequality are experienced till they have gradually subsided; but it is observed, at the same time by the Reviewer, that though, if the Tax be temporary, as during a War, there is not sufficient time for completing the adjustment, the probability of such an event as a War should prepare the Professional Classes for Taxation, and the rate of their natural or necessary Profits would be regulated accordingly; if the Tax be permanent, as during Peace, time will equalize the effects to them, and "therefore whether the Tax is made one of the ordinary resources of Revenue or is only resorted to on extraordinary emergencies, Professional Incomes ought to be taxed to the same extent as others. To give abatements in their favor seems only to introduce an apparent inequality into the Tax and to render its collection more difficult without doing them any real service—if you give them an abatement their fees will be diminished, and if you do not give it they will be raised, so that in either case they will preserve the same relative situation with respect to other Classes in Society."

It may be conceived that the inequality which proceeds from legislative limitations in the imposition of Taxation is levelled in some degree in the course of time though not without intervening loss or inconvenience to those partially subjected to it—but making use of this consideration in a Contrast of the two different bases of Taxation—Expenditure and Income—it may be observed that the inequality arising from Taxation obtained through Expenditure is not so far remediable, and so easily so from time to time, as would be the inequality arising from a Tax on Income, and for the reason before stated that Taxes on Commodities do not yield to the operation of other causes which occasionally affect the demand and supply of them so completely and readily as the flexible nature of an Income Tax allows it to yield to the changes as they arise from other causes in the Incomes of different Classes and different Individuals. If the Professional and Trading Classes were exempted from the Income Tax it might be anticipated that dependant on or connected as they are with the other Classes, any possible degree of an equalizing and compensating adjustment between them would quickly and fully take place.

If the Profits of Trade, Commerce and Manufacture, &c. were exclusively exempted from the Tax on Income, the effects of the Tax, so far as they would be indirect, would be the reverse of those of Taxation on Expenditure; all the Taxes on Commodities are advanced by Traders, &c. they fall indirectly on the Community at large, and Traders are reimbursed by means of increase of Prices—if the other Classes were exclusively taxed to the Income Tax they might be considered as advancing part of the Tax in behalf of Traders, it would fall on Traders by a decrease of Prices and of Profits, and the other Classes would thereby be reimbursed, but the extent of the advance would be much smaller in the latter than in the former case. If the whole Revenue of £50 millions were raised by an Income Tax, and if the amount indirectly falling on Traders in consequence of the whole of the Tax being directly paid by the other Classes were equal to the proportion of the Tax which it is estimated would be paid by them if the Tax were directly charged on them in common with other Classes, that is about £10 millions, the advance made by the other Classes in behalf of the Trading Classes, if these were not taxed, would not much exceed one-fourth of the amount (nearly £40 millions) advanced by Traders on account of the present Taxes. This reverse would in its effect on prices and cost of production be very beneficial, and there would be further important advantages,—the advance would be made not, as now, out of Capital but out of Income; Trading Capital, out of which the present Taxes are advanced, would be left freely to its natural circulation, the advance would be made not out of Capital in disproportion to and before it could be decided what were the relative means and ability which Capital of various description and application would give to its several Possessors, but out of acquired Income in due proportion to and after it had been ascertained what were the relative means of the several Possessors of it.

Viewing however a Tax on Income not as excepting altogether Profits from Trade, &c. but as applying itself to them in the mildest possible manner both in rule and in practice, not only because the amount of those Profits is uncertain and fluctuating; but because the very existence of the sources of them are precarious and perishable, it may be agreed that there are considerations which

may reconcile other classes, living on more permanent sources of Income, to the less effectual operation on Profits from Trade, &c. of a direct Tax on all Incomes; but they may not be the only considerations, for as in the event of an entire exemption from the Tax of Profits of Trade, &c. so in case of any less degree of escape or relief from it, however effected, other classes would not lose in proportion to the advantage gained by Traders, &c. though it may be an advantage in most instances rather unlawfully taken than legally given, and may also be unequally enjoyed among the Traders themselves, according as they may be more or less conscientiously disposed. If the Profits and Incomes of Traders, &c. became from their partial avoidance of the Tax, disproportionately and unduly larger than those of the other Classes, competition arising therefrom among Traders as well as the more reduced means of expenditure of the other Classes would soon diminish the undue advantage; and it is to be observed that a Trader might not obtain a greater advantage compared with others, either in or out of Trade, by a defective Assessment on his Profits, whether arising from his concealment of the real amount, or whether from indulgent rules of charge, or a lenient execution of them, than he may obtain in case of Taxes on Expenditure, either as a Consumer by keeping his Expenditure below his Income, or as a Producer by illegally evading them. Under either mode of taxation it may be hardly possible to prevent the means of evasion on the part of persons of Trade; but where they stand affected by taxation in two characters, first as Producers and then as Consumers—the means of evasion are doubtless much multiplied to them.

It is also to be considered that where advantages are illegally obtained under Taxation on Expenditure, as in contraband Trade which such Taxation creates, contraband Traders gain more of Profit than their Customers save of Expence, particularly as such dishonest Trade often leads to the practice of gross impositions on the latter, in respect of the nature as well as the price of the Articles sold—honest Traders and the more conscientious part of the community (the most deserving of protection) suffer from the advantages obtained by others through illicit Trade, to an extent beyond the mere amount of Taxation evaded, and whether the Trad-



ing Classes were wholly exempted in respect of their Profits in case of an Income Tax or not—yet, if taxation on produce and consumption were abolished, they would soon be found, both relatively to each other and to the community at large, on a much more fair and equal footing than they stand under the operation of that description of Taxation when fully viewed in all its bearings.

Where the Profits of Trades, &c. depended less on Capital, Stock, Goods, &c. (which afford a more ostensible means of ascertaining the amount of them,) than on Industry and Skill, (the Profits of which are less easily ascertained,) the greater might be the advantage just adverted to in case of an Income Tax embracing all Profits, and if so, the more it might be reconcileable as favoring Labor more than Property and Capital. As the cost of Labor mainly determines the price and value of whatever it is bestowed on, so any advantage obtained by it in Taxation would be participated by all Classes—for if labor be not fully taxed to the common burthen, it can and must be bestowed at a cheaper rate.

It is meant by these observations, not that an undue advantage in case of any Tax whatever is defensible in principle, but that it may be less regarded if there should be effects attending it which might in some degree compensate for the unfairness of it, neither by the advantage adverted to is more intended, in the consideration of the practical operation of a general Income Tax, than that where a Person in Trade, &c. offers such a contribution to the Tax as, judging with a disposition to reasonable concession, may be considered, though a moderate, yet an admissible Return of his Profits, it should not be tried by the rules and proceedings of rigid scrutiny, with the view to exact something more which might in strictness be due from him. Referring to the modifications of the former measure, proposed in the Second Part of this Work, it may be sanguinely hoped that the general observance of a conciliatory and mild course of proceeding as there suggested, with however a discriminating and firm severity towards those who persevered in grossly and wilfully abusing it, would in time bring the Contributions in general on Profits of Trade and Professions, if the Tax were extended to them, to a near equality with those on other Incomes without creating dissatisfaction unless in those pertinaciously desirous but unable to evade, and

whose unfounded discontent need not be much regarded—it is evident from the Assessments on Trade during the several years of the late Property Act, that the course of proceeding adopted under the harsh provisions of that Act was not attended with those desirable results; but more applicable and considerate Regulations with a line of conduct suitable to the feelings of individuals in general, such as the modified procedure offered for consideration would admit of, and such as independent and honorable men like the Commissioners\* selected for carrying the Act into effect in the different Districts would be most disposed to adopt, might reconcile the Trading and Professional Classes to the measure without risking much if any loss to the Revenue and inequality in the individual charges. Such a course would at least deserve a trial in case of a new Income Tax—if inadequately successful it might then be the time to consider whether a different system or practice should be resorted to.

*To what extent a PROPERTY TAX may be carried.*

The ultimate question in the consideration of the expediency of a Property Tax may be to what extent Property can and should be subjected to such a Tax exclusively, on the principle that Property from its qualities of permanency and certainty may justly be expected to make a greater sacrifice and be higher taxed than mere Income. Under the late Property Act the proportion levied from Occupiers of Land, Trade, Professions, and Offices, was about £6 millions or two-fifths of the total amount of the Tax, viz. £15 millions Gross Receipt. Supposing a Property Tax were imposed to the same amount as before, but not including Trade, Profession, Profits of Land and Offices, and that the compensatory results just discussed should not exceed one half of that proportion which would have been levied from Trade, &c. if the Tax had been extended to them, Property viz. Real and Funded Property, would then exclusively bear the other half. Whether this would

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\* If strict impartiality is departed from by these Gentlemen, it is in manifesting a bias rather towards the taxed Individuals than to the Revenue, in taking the lenient side, when doubt of liability or great hardship may under peculiar circumstances appear.

be too great a burthen to be thrown on Property, in addition to its own proportion of the Tax, if the Tax were a substitution for other Taxes from which Property would derive proportionate means to bear the whole Burthen, and whether to any and to what further extent the Tax could be carried with no greater rate of compensating effect may be the main point to decide: the most important consideration is that by exclusive, if it be also excessive taxation the Cultivation of Lands may be checked and thereby great injury be inflicted on the general Interests; it must be extremely desirable but not less difficult to foresee how far to proceed in exclusive taxation on Property without producing such excess, without creating a much greater evil than it is intended to avoid; the limit must principally depend on the proportion which Income from Property bears to other Income; it may however be surmised that the *exclusive* amount falling on Property would not be the full amount of the Tax imposed on it, but that proportion of the Tax which would have fallen on other Incomes if it had been extended to them, and therefore in case of a Property Tax to the extent of £15 millions, the exclusive amount falling eventually on Property might not be more than £2 or 3 millions,

From all considerations arising at length on the question whether a Property Tax or an Income Tax should be imposed, the conclusion in most minds may be, that although there are some strong objections to a Tax on Property exclusively, and that the great desideratum is a Tax on Income in general, yet if a Tax on the Income of Property to a small or moderate extent only be imposed, such a limited Tax may for the present and as a commencement of the desired more extensive financial change be the most expedient alternative.

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An Estimate is offered in the following Part of this Work of the probable Produce of a Property Tax at various Rates; and as in case that Tax be resorted to there are points of difficulty in the enactments of its rules which require special consideration in order to attain a just practical plan, these are also submitted in that Part of the Work.

SECOND PART.

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*Modifications of the former Plan of Property or Income Tax suggested.\**

In this Part are submitted such materials as it is hoped will be useful in the consideration of any modifications of the Plan of the late Property or Income Tax which may be deemed necessary to meet the various objections entertained against it in case the revival of the measure shall be expedient, and which will also assist in estimating the probable produce of it under different scales and plans of charge. The modifications are suggested without presuming to decide whether any or which of them should be adopted, the intention is to point out probable remedies for real or supposed defects in a former scheme but without pronouncing on the necessity of resorting to them. Whether the various objections made to the plan of the late Tax, or any of them were just and well founded, is not in this place considered—the present object is only to devise means for removing or lessening the cause of them, lest any of them were so.

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*Schedules A. and B.—Rules in respect of the Rents and Profits of Lands, Houses, Tenements, &c.*

After some experience obtained in carrying into effect the Acts prior to the last Property Act which was passed in 1806, (46 Geo. 3, Cap. 65,) of the inconvenience of *Annual Returns* and Assessments under Schedules A. and B. on Lands, Houses, &c.

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\* The term *Property Tax* on mention of the late Tax, is generally used in these Pages more in compliance with common usage than with due regard to the proper denomination of the measure (vide note page 2.)

the period of making Returns and Assessments was limited by that Act to alternate years, with power to abate the duties in certain cases, on the appeal of the parties, but not to increase them, in the intervening year ; It is suggested with reference to one of the objections made to the late Property Tax, viz. the frequency and trouble of its requisitions, that it might be desirable in any future measure to prolong this interval ; As during the time of the late Tax, Rents and Profits from Lands, Houses, &c. were in an extraordinary course of increase the provision was unfavorable to the Revenue, and the term prescribed by it was necessarily short ; but during a different or a more settled state of rents and profits, a prolongation of the interval of making Returns and Assessments might be admitted with less risk of loss to the Revenue and of inequality among the properties charged in different Counties and Districts.

#### Schedule A.—*Landlords' Duty.*

As the sum on which the Property Tax was required to be computed, both in respect of Landlord's Duty and Tenant's Duty, was the *Annual Value*, the following explanation, contained in an Official Publication, of the ground of that rule may be useful :—

“ The Annual Value is to be understood to be the rack rent, at which Lands have been let, if the commencement of the letting be within seven years ; if not so let, then it is to be understood to be the rack rent at which they are worth to be let.”

“ The object of the Act is to charge all Lands at the present value, but as recent lettings at rack rent may be supposed to give that value, it has been thought proper to consider all lettings at rack rent within seven years as being made at the present annual value. It is obvious that in this case will be included all lettings from year to year, or at will, although there may not have been any new agreement entered into within seven years ; for in such letting every year's continuance is implied on a new contract between the Landlord and Tenant, each of them having the power of determining the contract on due notice.

“ By the Act, rack rent must be understood to be the full conside-

“ ration reserved upon a demise of the property as estimated be-  
 “ tween the Landlord and Tenant, or as would be estimated  
 “ between them if the Lands were now to be let at a reserved rent  
 “ only ; and whenever the rent reserved forms the whole consi-  
 “ deration for the exclusive enjoyment of the thing demised, such  
 “ demise or letting is considered as at rack rent. In those cases  
 “ where the tenant has given, or contracted to give, any other  
 “ consideration for the Lease, or has covenanted to expend a sum  
 “ in improvements, the reserved rent can afford no just criterion of  
 “ the value ; and it is therefore provided, that the Commissioners  
 “ shall not be bound by any lease or agreement which doth not  
 “ express the full consideration, or the rent bona fide reserved, or  
 “ which is made with a view to conceal or diminish the annual  
 “ value.

“ This consideration of a Lease at rack rent does not in all cases  
 “ require that the Lands should have been let at the full rent, which  
 “ might have been obtained. It will be sufficient if the Lessor has  
 “ let his lands at the rent which he has estimated them to be worth,  
 “ at a reserved rent only, without other consideration, which  
 “ might diminish in his estimate the amount of the rent reserved,  
 “ although he should have under-rated its value ; and in this sense  
 “ the Act must be construed.

“ In all other cases, either where the Lease or Agreement is of a  
 “ more ancient date than seven years, or where any other consider-  
 “ ation than the rent reserved appears in the Lease or Agreement ;  
 “ and in all cases where the Owner is also the Occupier, or the  
 “ Lands are not let, the value of the Lands is to be estimated at  
 “ the rent which the same are worth to be let by the year ; thus  
 “ reducing all those cases to what would be the rack rent of  
 “ a recent Lease, where the best improved rent has been or may  
 “ be obtained.”

According to the above Rules, the Rent reserved was consi-  
 dered as the Annual Income of the owner in respect of every  
 property let by him ; if the annual value, estimated according to  
 those rules exceeded the Rent reserved, the occupier became  
 chargeable in the character of owner for the excess.

Lands and Houses were chargeable under the late Property Act  
 according to the rent or annual value, at the same rate, with-

out any distinction in favor of property in which the present possessors had an interest for life only ; if it should be deemed right, with a view to this objection made to the plan of the late Tax, to charge to a new Income or Property Tax, the holders of property for life or lives in some degree less than owners of absolute property, it might be desirable to fix such rates of charge on Income derived from it that they should in every case be exactly proportionate to the probable duration of the interest therein, for which purpose tables of reference might be adopted which should apply to every age.\* If such a scale would occasion inconvenient operation or unnecessary minuteness, the modification might be simplified by using a less graduated scale, and the computation might be made according to the ages of the parties in possession, taking large intervals. Suppose that to the age of 30 the income of a life estate should for the purpose of assessment be taken at four-fifths of the annual value, from 30 to 40 years of age at three-quarters, from 45 to 60 at two-thirds, and from 60 and upwards at one-half of the annual value ; the proportion of the annual value taken on the first occasion might remain during the present life, or be lessened according to the scale as the party increased in age. If a scale of any gradation would be objectionable, there might be one general but less rate for estimating the Incomes of the present holders of estates under limited interests and the Income of all such estates, whatever the ages of the parties were, might be taken at three-fourths of the annual value, or at any such proportion of it as should be deemed to afford a sufficient abatement in favor of limited estates in general.†

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\* Such Tables were used under the first Property Act (1803), for the purpose of giving the probable duration of a life or lives, according to which the annual value of Fines paid on the renewal of Leases was computed and charged. Mention is made of this circumstance, not that it is necessary to point out the mode of computation, but to infer from experience, that for this particular purpose such a very graduated scale of charge would not be impracticable, and probably not inconvenient in practice.

† The annual value in the classification of Income hereafter offered is set down as equivalent to Income of the same amount ; but if modified as above proposed, it would of course become Income of proportionably less amount, and should be classed accordingly. If the extent of limited Property be known or can be estimated, the general effect of the modification may be readily computed—the highest class of Income comprising such Property would lose a proportion of its present estimated amount—the second class would

It may be doubtful whether the rules in the late Property Act for estimating the Rents or Annual Value of Lands and Tenements by means of the Poor Rates were beneficial to the Revenue and just to all parties; whether they did not tend to deficient estimates of rental, and to inequalities between different districts or places, if not between properties situate in the same districts or places. Although it was required by those rules, if the value as rated for the relief of the poor was a proportion only of the real amount, that the deficient proportion should be added for the purpose of the assessment to the Property Tax, yet it is apprehended that deficiency was not in general fully supplied, the relative proportions of the Rents charged to the Property Tax in the same district or place were sometimes regarded more than the full amount liable to charge. It may be immaterial to the object of a local tax like the Poor Rates (as also in case of a fixed Quota like the present Land Tax), on what proportion of the rent or annual value a certain fixed sum is raised so that all persons in the same place pay at the necessary rate of charge on the same proportion of their rents, but the consequence on a general Tax of indefinite amount is widely different. To make the Poor Rates the basis of estimating the value of Property for the charge of an Income Tax on it, is to create temptation to charge the Poor Rates on sums below the real value of Property: with that evasive view, it is preferable in case of Rent of £100 to fix it in the Poor Rates at £50 and charge it at 2s. than to enter it at its full value and charge it at 1s. then as the Poor Rates are charged in different places at various proportions of the Rents, all degrees of inequality may arise therefrom in pursuing them as a basis. It is therefore suggested for consideration, whether those rules should on a future Tax be adopted, and whether it may not be more advisable to depend for the ascertainment of rents on the returns of the occupiers, on the production of the leases or agreements, on survey or valuations, and on such

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receive the whole or the greatest part of that loss, equal probably to the proportion it would lose of its own present amount—the third class and each inferior class would sustain a loss which might be supplied by its next superior class, and thus as most of the classes are not very different in amount, it may be conceived that the modification would not much affect the present estimated proportions of them, excepting that of the highest class, and therefore by deducting from that class the estimated proportion of limited property now comprised in it, the total deficiency of the produce of Duty arising from the modification may be estimated.



other means of ascertaining the annual value as the late Act authorized. The Poor Rates in any place may, if equally imposed, be sometimes usefully resorted to for judging of the relative value of properties in that place; it is the adoption of them as a general positive basis which appears undesirable.

Objection was made to the rule commenced under the Property Act of 45 Geo. 3, for charging fines received by the owners in consideration of demises of Lands or Tenements (not being parcel of a Manor or Royalty demisable by custom) on the amount so received within the year preceding, with a power to discharge such part as was proved to have been applied as productive capital on which a profit had arisen otherwise chargeable for the same year. The rule was complained of as fixing a charge on Capital instead of Income. Under the previous Act, 43 Geo. 3, such fines were charged as forehand rents, an average amount having been taken by computing it according to the probable duration of the life or lives for which the estates were leased; it was observed as a ground for the alteration in the rule, that "public policy interfered so far  
 " as to charge the party receiving the fine for that part of it which  
 " he does not apply as productive capital, for that so applied he  
 " is discharged, for that used as Income he comes within the  
 " general principle of the Act professing to charge every source  
 " of profit however arising. Fines constitute so large a part of  
 " the Income of Ecclesiastical and Collegiate Bodies, and also of  
 " some individuals, that not to have adopted this mode would  
 " have left a defect in the generality of the measure itself, in which  
 " consists its claim to equality and correctness."\* It is apprehended that the rule did not prove to be disadvantageous or unfair in operation to the parties, that in fact the fines were in general expended as Income, and that but a small proportion only was discharged as being applied as productive capital, scarcely any claims having been made for relief on that ground. The condition of discharge might have been insecure to the Revenue, for the fines, after investment as Capital and allowance of the Tax, could have been re-converted and expended as Income. If a future Tax were permanent, or of long continuance, it might be immaterial whether each fine were chargeable during the given number of years on a certain

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\* "Guide to the Property Act" (an Official Publication.)

annual average proportion of it as so much Rent, or whether the whole of it were chargeable at once as the Income of the year in which it was received ; but it may be advisable to fix one rule of charge only, and if the rule of charging the fines when received be adopted, then to discontinue the discharge from the Tax of any part applied as productive Capital.

There was much difference of opinion on the commencement of the Property Tax as to the proper mode of charging Woodlands, whether on an Annual Value as other Lands, or on the actual Profits as they accrued. The rule adopted created some difficulty in the first instance, but experience did not prove it to be unjust or impolitic, and as objections to it ceased, it may be presumed that the proprietors found that it operated in the end more favorably to them than they anticipated. As in cases of Fines just adverted to, it might be less important, if the Income or Property Tax were revived for a permanency, whether the Tax were charged yearly on an average annual value, or periodically on the profits as they arose on the felling of timber. The rule of charge on an estimated annual value may in general be both fair and convenient, but it seems to have been adopted during the late Tax partly on the ground of expediency, under the circumstances of its being a temporary measure, and during a war, when the felling of timber was not to be discouraged.\*

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\* The following observations on the rule were made on the passing of the Act of 46 Geo. 3.

“ Wood is part of the superficial produce of the Lands, spontaneous or cultivated ;  
 “ the profit arising from it is not annual, though its improvement is so ; it may not be  
 “ periodical, so as to be capable of a fixed average ; it may be the accumulated pro-  
 “ duce of centuries, and may be considered in some sort as belonging to the inheri-  
 “ tance rather than the possession, and is certainly capable of limitation in such man-  
 “ ner as to deprive the possessor of profit : but in an Act of this sort, which seeks to  
 “ obtain a revenue from every visible property, no limitations are admissible to di-  
 “ minish the Assessment. The occupier is considered as the absolute proprietor, the  
 “ property itself is charged in his hands, and whatever rent the property is capable  
 “ of producing the occupier is charged with, whatever use the present proprietor  
 “ may put it to, or under whatever restraint or limitation he or any former proprietor  
 “ may have placed it. On one side it has been argued, that Woodlands are so circum-  
 “ stanced as not to be the object of occupation in the same manner as Arable, Meadow,  
 “ or Pasture Land ; that in consequence an annual rent cannot be affixed to them,  
 “ that the profits are all confined to the property, and are not divisible in their nature

such a provision in case of a future Tax would be proper, but Agriculture was during the late Property Act, until that latter period of it, in such a generally prosperous state, that the cases of loss of Rents by insolvent Tenants were too infrequent to excite attention, the omission in that Act of any provision for such cases was probably intentional though the grounds do not appear to have been declared; there would have been strong objections to yield to every claim of such description, but as the taxing a man for an Income he never received is a hardship which it would seem should of course be expressly provided against, it is to be observed that the charge was made on the Occupier, and recoverable from him; if he paid no Rent, the Landlord consequently paid no Tax by way of deduction; and though the Tax might be levied by distress on the premises, yet, as the Landlord had the preference in the process for recovery of his rent, it is conceived that hardly any cases occurred of the Tax being enforced in respect of Rent not recovered or recoverable: it might also have been considered that though from negligence or improvidence Land or its Produce had been unprofitably managed, or the Profits had been squandered and the Rent had been dishonestly withheld by or had not been enforced as it might have been from the Tenants, the Revenue was nevertheless entitled to its due; if however express provision were to be made on a future Tax for losses of Rent, it should be admitted under particular restrictions which would guard against abuse.

*On the Opinions and Suggestions of Dr. Adam Smith as to a Tax on Rent—and on the practical Operation of them.*

#### Rent of Lands.

The following Extract from Dr. A. Smith's Work on the Wealth of Nations contains, not only his opinion respecting a Tax on the Rent of Land varying with the variation of Rent, but some suggestions for regulating the charges of such a Tax according to the nature of the terms on which Lands are held and cultivated.

Some of the Notes now subjoined explain whether or how far the provisions of the late Property Act conformed to, or those of

a future Act might be framed agreeably to the recommendations of that Writer.

“ A Land Tax of this kind (varying with the Rent) is certainly more equal than the present Land Tax. It might not perhaps be altogether so certain, and the assessment of the Tax might frequently occasion a good deal more trouble to the Landlord. It might too be a great deal more expensive in the levying.”

“ Such a system of administration however might be contrived as would, in a great measure, both prevent this uncertainty and moderate this expence.”\*

“ The Landlord and Tenant, for example, might justly be obliged to record their Lease in a Public Register. Proper penalties might be enacted against concealing or misrepresenting any of the conditions, and if part of those penalties were to be paid to either of the two parties who informed against and convicted the other of such concealment or misrepresentation, it would effectually deter them from combining together in order to defraud the Public Revenue. All the conditions of the Lease might be sufficiently known from such a record.”†

\* That Tax which is kept at the same fixed *proportion* of the Rent, and the amount of which would rise or fall with the rent may be considered in comparison with that Tax which is of a fixed unvarying amount, as affording a kind of certainty which is more beneficial.

The late Property Tax on Lands, which was variable in amount every alternate year, Tenancies at Will, and in Leases exceeding seven years, was not attended with a greater rate of expence than that at which the present Land Tax, which is unvaried in amount, is assessed and levied; and it occasioned no trouble to Landlords who let their Lands.

† Under the late Property Act the ascertainment of Rents or Annual Value depended on the Returns of the parties made according to forms distributed for the purpose; on reference to the Poor and other Public or Local rates; on estimates of parochial Assessors checked by the Crown Officers, and decided, if appealed against, by the District Commissioners; also if specially required, on production of Leases or on Valuations and Surveys. A Registry might be desirably substituted instead of the requisition of Returns from Tenants, and it might be made a condition of relief to them from all other proceedings. The proceedings would then be limited to those Persons occupying their own Estates, from whom, as no Registry would exist in those cases, such particulars must be obtained as would be necessary to ascertain the chargeable annual value. A power to compel production of Leases in such cases as might render it necessary, appears, however, sufficient; a Registry might be a general inconvenience with very inadequate benefit.

Surveys, though authorized by the late Property Act, were hardly ever resorted to. One general survey on the commencement of a new Tax might however be advisable; or as the expence is a great objection to it, surveys might be confined to cases of dis-

" Some States instead of the simple and obvious expedient of a register of Leases have had recourse to the laborious and expensive one of an actual survey and valuation of all the Lands in the County. They have suspected probably that the Lessor and Lessee, in order to defraud the Public Revenue, might combine to conceal the real terms of the Lease.\* Doomsday Book seems to have been the result of a very accurate survey of this kind."

" Some Landlords, instead of raising the rent, take a Fine for the renewal of the Lease. This practice is in most cases the expedient of a spendthrift, who for a sum of ready money sells a future Revenue of much greater value. It is in most cases therefore, hurtful to the Landlord. It is frequently hurtful to the Tenant, and it is always hurtful to the community. It frequently takes from the Tenant so great a part of his capital and thereby diminishes so much his ability to cultivate the land, that he finds it more difficult to pay a small rent than it would otherwise have been to pay a great one. Whatever diminishes his ability to cultivate necessarily keeps down, below what it would otherwise have been, the most important part of the Revenue of the community. By rendering the Tax upon such Fines a good deal heavier than upon the ordinary rent, this hurtful practice might be discouraged to the no small advantage of all the different parties concerned, of the Landlord, of the Tenant, of the Sovereign, and of the whole community.†

" Some Leases prescribe to the Tenant a certain mode of cultivation, and a certain succession of crops during the whole continuance of the Lease. This condition, which is generally the

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pute—it would seem necessary, as a check against concealment and fraud, to give the power of making surveys, and also just to throw the expence, as under the late Act, on the private individual, if his conduct occasioned it. In other cases the costs should fall on the Revenue as that Act authorized.

It may be observed that a general Register of Leases might be useful for other purposes than that of Public and Local Taxation.

\* This is more probable than that they would inform against each other.

† It has been previously made a question whether it is best to tax fines annually on an average amount as so much forehand rent, or on the gross amount in that year in which they are received—whichever mode would most discourage the practice of fines is, it seems, most advisable.

“ effect of the Landlord’s conceit of his own superior knowledge,  
 “ (a conceit in most cases very ill founded,) ought always to be con-  
 “ sidered as an additional rent, as a rent in service instead of a  
 “ rent in money. In order to discourage the practice, which is  
 “ generally a foolish one, this species of rent might be valued  
 “ rather high, and consequently taxed somewhat higher than  
 “ common money rents.\*

“ Some Landlords instead of a rent in money require a rent in  
 “ kind, in corn, cattle, poultry, wine, oil, &c. others again require  
 “ a rent in service. Such rents are always more hurtful to the  
 “ Tenant than beneficial to the Landlord. They either take more  
 “ or keep more out of the pocket of the former than they put into  
 “ that of the latter. In every country where they take place the  
 “ Tenants are poor and beggarly, pretty much according to  
 “ the degree in which they take place. By valuing in the same  
 “ manner such rents rather high and consequently taxing them  
 “ somewhat higher than common rents, a practice which is hurt-  
 “ ful to the whole community might perhaps be sufficiently dis-  
 “ couraged.”†

“ When the Landlord chose to occupy himself a part of his own  
 “ Lands, the rent might be valued according to an equitable ar-  
 “ bitration of the Farmers and Landlords in the neighbourhood,  
 “ and a moderate abatement of the Tax might be granted to him,  
 “ provided the rent of the Lands which he occupied did not exceed  
 “ a certain sum. It is of importance that the Landlord should be  
 “ encouraged to cultivate a part of his own Land. His capital is

\* If the Tenants in such cases do not pay at Rack Rent, it may be appropriately observed that the late Property Act directed that when the rent was not the sole consideration in the agreement between Landlord and Tenant, the charge should be made on such a sum as might be the full rent at which the Land was worth to be let, if leased under ordinary terms and conditions; in a case under the restrictions above mentioned, it might seem fair to give a discretion to charge beyond the actual rent, but such excess might be injustice to the Tenant, if falling wholly on him—it should fall, in part at least, on the Landlord.

† Rents payable in corn, grain, &c. were by the rules of the late Property Act chargeable according to the quantities delivered, and the average of the prices in the year preceding the year of assessment. As that mode of charge was inconvenient in practice, and it is expedient to discourage such a system of letting, the rule of charging on the sum considered to be the full average annual value might be adopted, with a power given to the Tenant to recover the Tax on that full amount from the Landlord.

“ generally greater than that of the Tenant, and with less skill he  
 “ can frequently raise a greater produce. The Landlord can af-  
 “ ford to try experiments and is generally disposed to do so. His  
 “ unsuccessful experiments occasion only a moderate loss to him-  
 “ self. His successful ones contribute to the improvement and  
 “ better cultivation of the whole country. It might be of impor-  
 “ tance however that the abatement of the Tax should encourage  
 “ him to cultivate to a certain extent only. If the Landlords  
 “ should, the greater part of them, be tempted to farm the whole  
 “ of their own Lands, the country (instead of sober and indus-  
 “ trious Tenants who are bound by their own interest to culti-  
 “ vate as well as their capital and skill will allow them) would be  
 “ filled with idle and profligate Bailiffs, whose abusive manage-  
 “ ment would soon degrade the cultivation and reduce the annual  
 “ produce of the Land, to the diminution, not only of the Revenue  
 “ of their master, but of the most important part of that of the  
 “ whole society.”\*

“ Such a system of administration might, perhaps, free a Tax of  
 “ this kind from any degree of uncertainty which could occasion  
 “ either oppression or inconveniency to the contributor, and might  
 “ at the same time serve to introduce into the common manage-  
 “ ment of Land such a plan or policy, as might contribute a good  
 “ deal to the general improvement and good cultivation of the  
 “ country.”

“ The expence of levying a Land Tax, which varied with every  
 “ variation of the rent, would no doubt be somewhat greater than  
 “ that of levying one which was always rated according to a fixed  
 “ valuation. Some additional expence would necessarily be in-  
 “ curred both by the different Register Offices which it would be  
 “ proper to establish in the different districts of the country, and  
 “ by the different valuations which might occasionally be made of  
 “ the Lands which the Proprietor chose to occupy himself. The

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\* Under the Income Act of 1799 Estates occupied by the Owners were charged at a less rate than Estates leased: this indulgence to Owners was not expressly continued under the Property Act, though it is possible that where there was not a positive sum of rent to govern the amount of the charge, the estimates of annual value under that Act may have been made rather favorably to the Owners. It certainly afforded the means of such favor, whether desirable or not.

“ expences of this however might be very moderate and much  
 “ below what is incurred in the levying of many other Taxes  
 “ which afford a very inconsiderable Revenue in comparison of  
 “ what might easily be drawn from a Tax of this kind.”\*

“ The discouragement which a variable Land Tax of this kind  
 “ might give to the improvement of Land seems to be the most  
 “ important objection which can be made to it. The Landlord  
 “ would certainly be less disposed to improve when the Sovereign  
 “ who contributed nothing to the expence was to share in the pro-  
 “ fit of the improvement. Even this objection might perhaps be  
 “ obviated by allowing the Landlord before he began his im-  
 “ provements to ascertain, in conjunction with the Officers of the  
 “ Revenue, the actual value of his Lands according to the equi-  
 “ table arbitration of a certain number of Landlords and Farmers  
 “ in the neighbourhood, equally chosen by both parties, and by  
 “ rating him according to this valuation for such a number of years  
 “ as might be fully sufficient for his complete indemnification.  
 “ To draw the attention of the Sovereign towards the improve-  
 “ ment of the Land, from a regard to the increase of his own Re-  
 “ venue, is one of the principal advantages proposed by this  
 “ species of Land Tax.† The term therefore allowed for the in-  
 “ demnification of the Landlord ought not to be a great deal  
 “ longer than what was necessary for that purpose, lest the re-  
 “ moteness of the interest should discourage too much this atten-  
 “ tion. It had better however be somewhat too long than in any  
 “ respect too short.‡ No incitement to the attention of the Sove-

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\* On the plan of raising the Income or Property Tax by fixed quotas, as hereafter proposed in the manner of the present Land Tax, any establishment of Revenue Officers of the Crown would be unnecessary, and it is not conceived that the rate of expence, on whatever plan the Tax were raised, would exceed that of the present Land Tax; if a high scale of Tax were adopted the rate of expence might be less.

† This recommendation is capable of full adoption in practice. Those executing the Act would be generally favorable to it. In the Country the Commissioners and Assessors of Taxes are in general Landlords and Farmers. The Inhabitants of every parish might have an influence in the choice and appointment of the Assessors, and there might not be any difficulty or objection to giving the Inhabitants of every district an interference in selecting for it the limited number of Commissioners from the Lists contained in the Act of Parliament in which they are named for the different Counties, &c.

‡ The general quotas and also the individual assessments might in a future Tax be fixed for such Terms as would be best adapted to meet this object.



“ reign can ever counterbalance the smallest discouragement to that of the Landlord. The attention of the Sovereign can be at best but a very general and vague consideration of what is likely to contribute to the better cultivation of the greater part of his dominions. The attention of the Landlord is a particular and minute consideration of what is likely to be the most advantageous application of every inch of ground upon his estate. The principal attention of the Sovereign ought to be to encourage, by every means in his power, the attention both of the Landlord and of the Farmer, by allowing both to pursue their own interest in their own way, and according to their own judgment, by giving to both the most perfect security that they shall enjoy the full recompence of their own industry, and by procuring to both the most extensive market for every part of their produce, in consequence of establishing the easiest and safest communication both by land and by water through every part of his own dominions, as well as the most unbounded freedom of exportation to the dominions of all other Princes.”

“ If by such a system of administration a Tax of this kind could be so managed as to give, not only no discouragement, but on the contrary some encouragement to the improvement of Land, it does not appear likely to occasion any other inconveniency to the Landlord except always the unavoidable one of being obliged to pay the Tax.”

“ In all the variations of the state of society, in the improvement and in the declension of agriculture, in all the variations in the value of silver and in all those in the standard of the coin, a Tax of this kind would of its own accord and without any attention of Government readily put itself to the actual situation of things, and would be equally just and equitable in all their different charges. It would therefore be much more proper to be established as a perpetual and unalterable regulation, or as what is called a fundamental law of the commonwealth, than any Tax which was always to be levied according to a certain valuation.”\*

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\* In an Income Tax which professes to take from every one according to his exact Income, strict regard should be had to that particular object—it may be expedient, as a national advantage, to discourage some and promote other modes of letting and cul-

*Rent of Houses.*

The observations of Dr. Smith upon a Tax on the Rent of Houses, or that part of it which he calls the Building Rent, are not here quoted although they are favorable to such a Tax, as he discusses it more as a Tax on the Occupier in respect of his Expenditure than as a Tax on the Owner in respect of his Income.

The Owners and Occupiers of Houses may be relatively placed by a Tax on Houses in a different situation than the Owners and Occupiers of Lands, Houses or the Ground they stand upon not being productive of profit to the Occupiers. As the object of the Tax under present consideration would be the Income derived from the Houses to the Owners of them, either the Tax being more conveniently charged on and collected from the Occupiers, would be deducted by them from the Rents, under powers given by the Act, or, if no such powers were given, and the Owners and Occupiers were to be left to their own adjustment, the Occupiers would probably pay less Rent.\* Whether any or what portion of the Tax would in effect fall on the Occupiers might depend on whether their own Incomes were taxed—they might be in Trade, Office, or Profession and the Tax might not extend to the profits thereof; the more other sources of Income were left untaxed the greater amounts of Rent could those other Incomes afford to pay and the more the Owners of Houses would be reimbursed their payment of the Tax. If Incomes of all descriptions were taxed the Owners of Houses must bear the whole Tax charged upon them, they must either suffer the deduction of it from their Rents or lower their Rents proportionably. In the event of other Incomes not being taxed, the possessors of them might either pay the increased amount of Rents for Houses which they could in that case afford to pay, or they might agree to pay the Tax, but this would be a matter of

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tivating Lands, but it may not always be individual justice or politic to render a tax so far instrumental to such a purpose as Dr. Smith appears from some of his suggestions to desire.

\* It would however be necessary to give the power of deduction during the remaining years of Leases commenced previous to the time of the imposition of the Tax.

private adjustment between the Parties; it is, however, necessary to advert to such a transaction, as according to the rules of the late Property Act, if the rent were not the sole consideration the charge was made beyond it, viz. at the rent at which the house was worth to be let. If the Occupier agreed to pay a public Tax or Rate which by law was chargeable on the Owner, the amount was charged as so much additional rent.

There is not the same difficulty in accurately taxing Houses as in taxing Lands—the Rent, the only Income obtained from the former, being the sole object of ascertainment. Houses occupied by the Owners may be taxed at the amounts at which they are worth to be let—some difficulty may be experienced with respect to such Houses, as under the present Inhabited House Tax, (which is made chargeable by that rule) in cases of large Country Mansions and Seats which are not worth to be let and will not let at Rents proportionate to their size and cost.\* Such Houses though not taxed to the present House Tax proportionably to their dimensions are heavily rated to the Window Tax, being charged to

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\* The difficulty is increased under the present House Tax by the distinction in the rates of charge made between small houses and large houses. Houses above £40 rent are chargeable at nearly double the rate at which houses under £20 rent are chargeable—the latter being chargeable at 1s. 6d. and the former at 2s. 10d. in the pound. If the rates of charge were the same on all houses, the large-sized houses now alluded to would bear to be charged at a greater annual value or nominal rent.

The present Inhabited House Duty is a Tax on the Occupier's Expenditure and not on the Owner's Income, though chargeable according to the rent or annual value: this is the great fault of it. It is however sometimes complained of in a greater degree than it deserves. In instances where the full rental is charged while in others it is not, the Tax may be justly complained of; but in places where the full rents or exactly the same proportions of them are assessed in respect of all the houses therein, any grievance of Occupiers is not wholly imputable to the Tax: if on estimating the fair annual value of a house, whether occupied for trade or residence, according to its size, its situation and other circumstances, the Occupier appears excessively taxed it may arise solely from excess of rent. If the Tax is charged on an amount which is beyond the fair annual value, so must be the rent exacted beyond it—if the Tax bears hard, the Landlord bears much harder, the excess of Tax is but small compared with the excess of Rent; therefore while the Occupier agrees to and pays the Rent, it appears unreasonable to complain of the Tax which is founded on it; if redress is due it should be obtained first from the Landlord—if the Rent be reduced, the reduction of the Tax follows of course; to reduce the Tax on any other ground would be merely to assist the Tenant to pay an excessive Rent, and in fact to put the Tax into the Landlord's Pocket; as, however, in making bargains for the occupation of houses, the

the full number of windows. The great amount on the whole of those Taxes is an impediment to any profitable letting of very large Houses, particularly in the Country—the repeal of them would add to the annual value of such Houses—they would then be worth higher Rents; if let, the Rents would, as being the Income derived from them, be the Sums for which the Owners would be charged—if not let, the Owners might be charged at the amount of such Rents as it might be estimated that Persons in the same circumstances of life and to whose rank and fortune the Houses are suitable, would, if they had hired them free of the Assessed Taxes now falling on the Occupiers, have given for them; or estimating the probable amount of the purchase money of them if they were sold, the Owners might be charged on Sums computed at 5 or any other fair rate per Cent. of that amount, as shewing the amount of Income which might be considered as saved by the possession of them Rent free, and as therefore the fairly assumable amount of their taxable Annual Value. If the Tenants of those or any other Houses were charged beyond the Rents paid by them as not being the sole consideration in the agreement, the excess would fall on themselves. It may however be observed that the number of such large Mansions or Houses is comparatively very small, and the amount of Income depending on them is not a very important object. Of nearly one million of Houses in Great Britain containing 6 windows and upwards, not more than 1800 have been returned to the Assessed Taxes as containing 80 windows and upwards. If the whole of these Houses, considering them to be of the description now adverted to, were valued in proportion to their full dimensions, the aggregate annual value of them might be considerably less than £1 million.

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amount of the Taxes to which they are liable form in general a consideration, and the amount of the rent is governed by it, and as the Taxes may therefore fall wholly or in part on the Landlord by a diminution of Rent, there is less reason on the part of the Occupier to complain of the Tax.

Dr. Smith observes, "In general there is not perhaps any one article of expence or consumption by which the liberality or narrowness of a man's whole expence can be better judged of than by his House Rent." Though House Rent may be a tolerable criterion in general of each Occupier's Expence, it is not an equal test of the Incomes of different Occupiers. The Tax to fall justly should fall on Rent, as Income, not as Expence.

*Ground Rents.*

The Rent of a House is distinguished into two parts, of which the one is the Building Rent (the Rent hitherto considered) and the other the Ground Rent.

The Tax on the Ground Rent would be included in the Tax on the general Rent of the House, and similarly to it be the subject of deduction or of adjustment between the Ground Owner and the Owner or Occupier of the House.

Dr. Smith observes that " Ground Rents are a still more proper subject of Taxation than the Rent of Houses. A Tax upon Ground Rents would not raise the Rents of Houses. It would fall altogether upon the Owner of the Ground Rent, who acts always as a monopolist and exacts the greatest Rent which can be got for the use of his ground. More or less can be got for it according as the Competitors happen to be richer or poorer, or can afford to gratify their fancy for a particular spot of Ground at a greater or smaller expence. In every country the greatest number of rich Competitors is in the Capital, and it is there accordingly that the highest Ground Rents are always to be found. As the wealth of those Competitors would in no respect be increased by a Tax upon Ground Rents they would not probably be disposed to pay more for the use of the Ground. Whether the Tax was to be advanced by the Inhabitant or by the Owner of the Ground would be of little importance. The more the Inhabitant was obliged to pay for the Tax the less he would incline to pay for the Ground, so that the final payment of the Tax would fall altogether upon the Owner of the Ground Rent. The Ground Rents of uninhabited Houses ought to pay no Tax.\*

" Both Ground Rents and the ordinary Rent of Land are a species of Revenue which the owner, in many cases, enjoys without any care or attention of his own. Though a part of this Revenue should be taken from him in order to defray the expences of the State, no discouragement will thereby be given to any sort of industry. The annual produce of the Land and Labor of the Society, the real wealth and Revenue of the great

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\* Unoccupied Houses were not charged to the late Property Tax.

“ body of the People, might be the same after such a Tax as before. Ground Rents and the ordinary Rent of Land are therefore, perhaps, the species of Revenue which can best bear to have a peculiar Tax imposed upon them.

“ Ground Rents seems in this respect a more proper subject of peculiar Taxation than even the ordinary Rent of Land. The ordinary Rent of Land is, in many cases, owing, partly at least, to the attention and good management of the Landlord. A very heavy Tax might discourage too much this attention and good management. Ground Rents, so far as they exceed the ordinary Rent of Land, are altogether owing to the good government of the Sovereign, which, by protecting the industry either of the whole People or of the Inhabitants of some particular place, enables them to pay so much more than its real value for the Ground which they build their Houses upon, or to make to its Owner so much more than compensation for the loss which he might sustain by this use of it. Nothing can be more reasonable than that a Fund which owes its existence to the good government of the State should be taxed peculiarly, or should contribute something more than the greater part of other Funds towards the support of that government.”

It is to be observed that Dr. Adam Smith, though very favorable to a Tax on Rents, discusses it rather as a Tax imposed on them exclusively as Rents, not as a Tax on the Income derived from them in common with all other descriptions of Income, which generality removes or reconciles any objection to a Tax on Rent.

*Schedule B.—Rules in respect of the Profits of Occupation of Lands, and the Occupiers' Duty.*

Under the Property Act the Profits of Occupiers of Land in England and Wales charged under Schedule B, were estimated in England and Wales at three-fourths of the Rent or Annual Value, with a deduction of one-eighth for Tithe-free Lands, and in Scotland at one-half the Rent or Value. These Rates which were doubtless moderate even for the period in which they were first imposed, soon became from the improvement of landed property which took place during the time coeval with the Property Act

(from 1803 to 1816) very deficient estimates of the Income derived to the Occupiers in general. If the opinion at that time generally entertained\* that the Profit of the Occupiers did not amount to less than one Rent, clear of all expences and outgoings, was well founded, and if the amount of the deficiency in the Returns of Rent or Annual Value, on which the Occupier's Rate of Profit was taken be considered, it follows that the Occupiers of Lands did not contribute near to the amount of Duty payable on their actual Incomes.†

Nursery and Hop Grounds were charged under Schedule B, not on a proportion of the Rents, but on Returns of the actual Profits computed upon the average of three preceding years.

On the passing of the Act of 46 Geo. 3, the deduction of one-eighth on Tithe-free Lands which had been also allowed under the previous Act, was considered as less than the just proportion, and to remedy the consequent inequality between Tithe-free and Titheable Lands, the duty of 6d. in the pound on the amount of Compositions of Tithes was imposed under Schedule B; the profit to the Compounder being considered equal to one-fourth of the Composition paid. This adjustment was objected to by some on the ground that the equality should have been produced by increasing the rate of deduction for Tithe-free Lands. If Tithe Owners had received their full due of one-tenth of the produce of Titheable Lands, the amount would, it is conceived, have much exceeded one-eighth of the Rent, and on that supposition the increase of Rent paid by the Occupier of Tithe-free Lands might be regarded as greater than one-eighth, and the deduction allowed to him under Schedule B of the Property Act should in that case have been larger, but if the rate of deduction was fixed with reference to the proportion which in general the sum actually paid for Tithes bore to the Rent of Titheable Lands, it was probably sufficient. Whether the objection to the mode of equalization was just or not, the compounders of Tithes were doubtless charged moderately for the profits of their Compositions. Lessees of

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\* The Select Committee on Agriculture, stated in their Report (1821) that "for a considerable period during the War the returns of Farming Capital exceeded the ordinary rate of profits."

† An Estimate of the amount of the deficiency is contained in the Appendix.

Tithes were also moderately charged at the same rate on the amount of the Rents paid by them.

In case any change in the rules adopted under the last Property Act (1806) for estimating and charging the Profits of occupation of Land should be expedient, it may be useful to refer to those which had been previously in use as likely to suggest some desirable modification.

Under the Income Act (1799) Parochial and other Taxes charged on the Occupier in respect of the Land and also Tithes were added to the Rent, then one-fourth of the aggregate was deducted therefrom, and the remainder was the annual value upon which the Income of the Occupier was estimated. This rule was adopted from an opinion then held, that the real rent was not so just a criterion of the annual value; it was observed in an official Publication issued at that time, that "the Rent is necessarily lower in a place where the Rates, &c. are high, and higher in a place when those charges are light. By the Rate, whatever variation may arise in the actual Rent of different Lands of equally productive value, from the different amounts of Rates and other outgoings to be borne by the respective tenants, an average is obtained as the fair estimate of value, it being considered generally, that the amount of Taxes, &c. upon an average throughout the Kingdom, is equal to one-fourth of the outgoings, the remainder therefore forms the average of what would be the Rent in all cases were the outgoings uniform, and this average therefore forms the annual value." A different rule was however resorted to under the first Property Act (1803) and was continued in the subsequent Acts, it was then observed, "that by subtracting the fluctuating outgoings such as Tithes and Parochial Rates from the Rent," (a deduction of one-fourth of the Rent being allowed) "a rule more favorable to the tenant is introduced, than by adding those sums and then taking an arbitrary portion of the aggregate amount, for although in settling the Rent all the outgoings are considered, yet it does not follow that the profit of the tenant is to be calculated with more certainty from the aggregate of those outgoings than from the Rent alone; if the Rent be governed by the amount of the other outgoings incidental to the Farm, leaving a certain profit to the tenant, in each case that profit must afterwards be considered as fixed, and not fluctuating or depending on payments of



“ an uncertain amount in each year; that there is no component part of the aggregate that can be fixed in different years but the Rent, that affords the only fixed rule during the lease, and therefore the most convenient to be established, and one of the inducements for the alteration arises from that consideration, the certainty, the convenience and the favorable result to the party must be taken to be the principle of the alteration and must be set against the defects which may appear in the inaccuracy whatever that may be.”

The first Income Act (1799) fixed maximum and minimum Rates of estimating the Profits of Occupation, and made distinction between Farms of high and low value, Occupiers of the former being considered capable of carrying on a course of cultivation so as to increase their Income in a greater degree than Occupiers of the latter. If the Annual Value, as estimated by the rules of that Act, of Land occupied by a Tenant at Rack Rent was under £300, the Income was taken at not less than one-half or more than two-thirds of the value, if the annual value was £300 and upwards, then at not less than three-fifths or more than three-fourths of it. The precise sum to be taken, not passing those limits, depended on the discretion of the Commissioners, governed by a consideration of the actual Profits and the circumstances of the case; in case of Lands occupied by the Owners, the Profit in respect of occupation was taken at not less than one-quarter or more than one-half of the Annual Value, and where Lands had come into occupation of the Owners within 18 months past, on the expiration of a Lease or on the death or failure of the Tenant, then no duty was charged in respect of the occupation. By the Income Act (1800) the Income of the Tenant at Rack Rent was taken at one-half of the Annual Value if under £300, and at three-fifths of it if £300 and upwards, and the Profits of Occupation of the Owner occupying his own Lands, if under £300 Annual Value, was taken at two-fifths thereof, and if £300 and upwards, at one-half thereof, with a power to reduce the amount if proved to exceed the real Profit.

A desire was expressed in some Places during the late Property Tax that the Assessments on Occupiers of Land might be made on their actual Profits, alleging that it was the most equal mode of charge and that the Occupiers' Returns of the amount of their

Profits might be depended on. On this question it is to be considered whether the Returns of Profits if defective would be open to easy detection and revision, whether material evasions could without much difficulty or vexatious proceeding be prevented. Some assistance might certainly be derived by comparing the various Returns with each other—the quantity and quality of Land, the course of cultivation, &c. in most occupations being known or easily ascertainable, such a comparison might aid in deciding on unsatisfactory Returns. If the actual Profits were the general rule of charge, then in order to prevent the frequency of Returns of Profits and of proceedings thereon the Returns made for the first year, if they gave satisfactory amounts, might be taken for two or more years, or the average of the three preceding years might be required to be returned in the first instance as the amount of a permanent charge throughout the term of a Lease. It might be understood that after Returns had been accepted, further Returns were not to be made unless specially called for, and which might be unnecessary unless any extraordinary rise or fall of Agricultural Produce, or a great improvement or depreciation of Land took place—on this plan there might not be a necessity of any Returns or of any investigation into past actual or probable future Profits except on the commencement of a new Lease or once during a Lease.

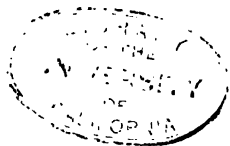
As the rules of the last Property Act (1806) for charging Hop-Grounds and Nursery-Grounds on the actual Profits, also the rules for estimating the Annual Value of Lands where the Rents were reserved in Corn or Grain or depended on the price or quantity of them or on the actual Produce\* were carried into effect, it would seem, judging from this partial operation of Rules which might have led to an easy ascertainment of the actual Profits, that

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\* It was directed by the late Act that where the amount of Rent reserved in Money depended on the price of Corn or Grain, the estimate of the annual value should be made on the amount payable, according to the average prices paid in the year preceding the year of Assessment, and in the same manner by which the Rents had usually been ascertained between the Landlord and Tenant; also where the Rent was reserved in Corn or Grain, that the estimate should be made on the quantity of Corn or Grain delivered in the year of Assessment on the like average price; also where the amount of Rent depended on the actual produce, either in respect of the price or quantity, that the estimate should be made on the amount or value of such produce according to the price fixed in the preceding year, and according to the quantity delivered in the year of Assessment.

it would be practicable to charge the Occupiers of Lands in general nearly upon the amount of their actual Profits by other means than by compelling Returns of them. From a knowledge of the average prices of Corn and Grain, and of the quantities produced or in general producible from any given number of acres of Land, also of the expences usually incurred in the cultivation of Farms of any given extent, rules might be adopted by which a fair approximation to the actual Profits would be attainable without such a strict investigation as might be necessary to ascertain the precise amount. Each County or District might be governed by the average price of Corn of the several markets within it. If in too many instances Occupiers cannot be relied on for delivering fair Returns of Profits, artificial rules may be resorted to for estimating nearly their receipts and outgoings. The materials for the operation of these rules might be obtained from the Leases, or from a general registry of them, or by survey and valuation, or the Occupiers might be required in their periodical Returns of Rents, or on every change of occupation, or once in every seven years in cases of the same persons being Occupiers during the whole of that period, to return the number of Acres rented and cultivated by them, distinguishing the proportions of Arable, Pasture, Marshland, Woodland, Hopland, &c. and whatever other particulars might be essential for making the rules for estimating the Profits operate accurately.

A fixed general Rate of Charge on Occupiers of Lands may however, on the whole, be not only most expedient, as most easy to be carried into effect and as attended with less trouble and vexatious proceedings; but it may not in the end occasion more inequality than the attempt to ascertain and charge the actual Profits, for though a fixed rate may, in order to avoid hardship or excess as much as possible, be so moderate as in general to be short of the Net Gains, it may give the individual amounts as fairly when compared with each other, as the parties themselves would disclose them in their own Returns, or as any artificial rules might attain them. If one general Rate be fixed as affording a fair Estimate of the Incomes of Occupation on the average, and it should be found in some parts of the country to be excessive from any peculiar local circumstances, such as inundations, disorders in cattle, or any ex-



traordinary accidents of the like kind,\* relief could be provided for any such causes of falling off of Income, to be granted in every case in which they might occur, or only in those parts of the Country where they might prevail to a general extent, and Assessments according to actual Profits, to be ascertained by such mode of investigation as the Commissioners should judge most proper, might be confined to those cases.

Though during the time of the late Property Tax the Profits of Occupiers of Lands were generally in a course of great increase, yet a short time previous to its cessation (1815) such a sudden and extraordinary reverse took place in the value of Agricultural Produce that the Rate of Charge on the Profit of Occupation, three-fourths of the Rent, which had previously been too moderate an estimate of them, was complained of as too high. Whether after the reduction of Rents which ensued it would have been excessive, if the Tax had been continued, may be doubtful; considering however the fluctuating value of the Produce of Land and that the proportion which the amount of the ordinary or average Profit of the Occupier bears or should bear to the Rent of the Owner, may, from extraordinary circumstances† affecting all Lands, not be realized, it may be necessary to vary occasionally as such circumstances require, any general Rate which assumes the Profits at a certain proportion of the Rent in case that mode of charge be adopted in a future Tax. If the former Rates of three-fourths of the Rent for England and Wales and one-half for Scotland would be generally excessive, although computed on reduced amounts of Rents, it would be necessary to commence the operation of the measure at a less Rate of Charge, and it may be submitted that one-half or two-fifths of the Rent or Annual Value for England and two-fifths or one-third for Scotland‡ might form a moderate Esti-

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\* By the supplementary Act of 50 Geo. 3, Cap. 106, the general rule in the principal Act of 46 Geo. 3, was modified by giving authority for abatements in such cases.

† Such circumstances as a transition from Peace to War and vice versa, or any other events and changes in public affairs which derange the natural or usual course of Agriculture and affect the value of produce and the cost of production, so that the ordinary or average rate of Profit calculated upon during the period of a Lease, may greatly exceed or fall short of the actual rate of Profit.

‡ It may perhaps be questionable, on a consideration of the very improved state of

mate of the Profits on the general average; or the Rates of Estimate of Profits of Occupation pursued under the Income Act in 1799 or 1800 might be revived, adopting also, or without adopting, its rule of forming the Annual Value. If low Rates were at first taken, they might afterwards be raised on any general amelioration of the state of Agriculture. It may also be a matter of consideration, whether there should be one and the same proportion for all descriptions of Lands as under the late Property Act, or whether the proportion taken should differ according to the differences in the qualities of Soils, in the nature of the terms or in other circumstances of variance, that is, if the Rents themselves are not considered sufficient criteria thereof; also whether the Assessment made by that general Rate should be subject to reduction on appeal, in cases where they could be proved to exceed the actual amount of the Profits.

It would seem that it cannot be ascertained satisfactorily what the rate of Profits of Occupiers of Land in general is or has been—the opinions on it have been various; vague and inconclusive statements have been offered. In a Work published in 1816\* in which it was desirable to give such information on that head as might be depended on, are the following observations, which may be appropriately offered here as shewing the causes of the difficulty of obtaining from Farmers satisfactory returns of actual Profits, and the obstacles opposed to attempts to procure in any way decisive and certain information on the subject.

“ In the County Agricultural Reports, a chapter is set apart for the consideration of expence and profit. But it is well observed in one of them, ‘ that there is very great difficulty in obtaining the truth on this head: Farmers, like other people in business, are shy in laying open their affairs to any one, and now more so than ever. In the first place, for fear their Landlords should get hold of it, and thus be the means of an advance in their rent the first opportunity; and in the second place, for fear the Com-

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Agriculture in Scotland, whether there should be any distinction in the Rates between that part of Great Britain and the rest of it.

\* The Rev. Dr. Cove's Essay on the Revenues of the Church of England.

‘missioners of the Income Tax should be made acquainted with it, and raise the duty on them. Farmers in general keep no books in a minute or regular manner; it is not therefore in their power to give particulars of expence and profit correctly, only in a rough way.’\* “And in another Report,” ‘few Farmers keep accurate accounts; and such the Surveyor has not been able to meet with, as might shew the precise expences and profits of a well cultivated farm in his district: Ideal calculation he has avoided, as tending to mislead the judgment, not establish facts. He therefore attempts no statement of that kind.’† “Accordingly this subject has been either unnoticed by the writers in general of the reports, or has been considered by them very superficially.”

From the above statement it would appear that the Farmers may be under strong inducements to conceal their real Profits. The less they can make their Profits appear, the greater apparent reason there may be to keep down their Rents, Tithes, Public Taxes, and Parochial Rates. At the period adverted to, Farmers in general were in very prosperous circumstances which probably made them more reluctant for the reasons just assigned to disclose the full amount of their real Profits, but although that state of circumstances has since been reversed, or become much altered, there seems no alternative in taxing them but to form the best judgment which the difficulties of obtaining positive information will admit: to take the Rent as the basis, with such a rate of deduction from the amount of it as may leave a moderate estimate of Profit, will be to follow the judgment of the Landlord, who in settling the Rent, may be supposed to be best acquainted with the capability of his own property, and whose best interest it is not to act hardly or unfairly with his Tenant.

In justification then of the mode of Charge on an Occupier of Lands by an assumed proportion of the Rent or Annual Value, it may be observed that the Legislature in charging the Tax on him in that way as a fair mode of estimating his average and ordinary Profit may be considered as governed by the same principle as the

\* Warwick Agricultural Report, 1813, p. 43.

† York North Riding Agricultural Report, 1800, p. 77.

Landlord himself in fixing the amount of the Rent; it may be reasonably presumed that the Landlord having a due regard to the proper cultivation of his Estate and to the condition of his Tenant, has, after taking the nature of the Soil, the probable amount of the outgoings and any peculiar circumstances into consideration, fixed the Rent at an amount which will enable the Tenant during all the years for which the Lease is granted to realize on an average such an amount of Profit as will bear its fair and ordinary proportion to the Rent; it may be assumed that the Tax, like the Rent, though it might in one year be excessive would in another year be deficient in its due proportion to the actual Profit of the Occupier, and thus taking the whole term, the average Profit calculated on might be realized; on this consideration, the late Property Act did not provide for cases of reduction of Rents if they occurred during a Lease not exceeding seven years; although from the progressive improvement of Lands in general during the time of that Act till nearly the close of it, any provision for that purpose was not generally necessary, it may have happened that the absence of it occasioned inconvenience in some cases. "By reason of the great depreciation in the price of Grain and "other Agricultural Produce" which suddenly took place at the close of the War, an Act was then passed to authorize the Commissioners to abate the assessments for the last year (1815) on proof that the Land Owners had bona fide reduced their rents. In a future Act it may be made an established rule that on an actual abatement of Rent, whether it be allowed for the current year only or throughout the remaining term of a Lease (and it may be assumed that Rent will be in general reduced in cases entitling the Tenants to such relief) a proportional reduction of the Tax shall be made.

In considering the question which is the best mode of taxing the Profits of the Occupiers of Land, it seems that the great object in a Tax on Lands is to charge all of them in proportion to the total Net Income derived from them—that the Net Income is the aggregate net Profit after deducting all outgoings, including both Landlords' and Tenants' proportions of it; taking the Rent as on the whole the best criterion of the total Net Income of most Lands, it may be considered that if any particular Land be charged beyond its

Net Income, and the Occupier thereby is rated excessively for his proportion, the cause will be that the Rent paid to the Owner is excessive, that the Tax, distinctly charged on the Occupier's Profit, will not be an excessive proportion of it if the Rent be not an excessive proportion of the whole Profit of the Land, the remedy in cases of excess is then obvious, relief must first be claimed by the Tenant from the Owner, when granted, the abatement of the Tax both on Rent and Profit will follow of course. It may become a question whether in any cases where the Landlord does not reduce his Rent there shall be a reduction of the Tax on the Occupier on the plea of a bad season or other cause in any particular year or years on the Occupier claiming it and proving his actual Profit of that year—to allow it may be admitting a claim which, assuming that the Landlord has in his Lease dealt considerately and fairly with his Tenant, taking into account the Rent and Profit throughout the whole Term, is not reasonably founded—to refuse it, may on one hand, be aggravating a severe hardship which the Landlord inflicts, and be detrimental to cultivation—while on the other hand to accede to it in such a case may, in effect, be to assist the Tenant in paying an exorbitant Rent and to put the fair and necessary demands of Taxation into the pocket of an avaricious Owner. On the whole the conclusion may be, that it is most fair and safe never to depart from the Rent as the Standard of Charge.

The rule of the late Act which limited the charge by the Rent to cases where the amount had been fixed by agreement, commencing within a period of the preceding seven years, and which required after that period the then increased Annual Value to be taken, was objected to in some places as not equitable; it was alleged that the rate of charge, if fixed at a proportion of the Rent should continue throughout the whole term of the Lease, though extending to fourteen or twenty-one years, on the ground that it is on the average of all the years of a Lease that a fair Income is obtained, and that it is during the latter years of possession under a long term that the then more valuable Produce of Lands will compensate for the deficiency of the first years of it—yielding credit to this allegation it may be surmised that whatever sum the Owner of the Property, (naturally inclined to obtain his full



right) may deem the fair Rent during a long term, the State may be satisfied with as a basis for taxing the Occupier's average Annual Profit throughout the whole term, provided the Rent be the sole consideration.

On the rule of estimating the Tenant's Profit on a fixed proportion of the Rent or Annual Value, it was observed in an Official Publication circulated in 1803 on the commencement of the Property Tax,

“ The Profit of a Tenant is variable, depending on Seasons, on skilful cultivation, on local advantages, on the increase and decrease of incidental expences—Some of these may and others cannot be the subject of previous computation—The rule for letting Lands is drawn from experience, not from mere calculations, the Rent is the result, and that Rent must be fixed after a due allowance to the Tenant for the maintenance of himself and family, on general rules and not on the accuracy of individual calculations. On these and other considerations, which might be more minutely disclosed, the Rent has been fixed as the best possible criterion, though open to some objections, of the Tenant's Profit. It has been taken at so low a rate as not to injure any one, although from nicety of calculation, it may be discovered not to apply itself equally to all cases. Where it will fall heaviest the Parties will be free from the usual risks. It is drawn from a comparison of places subject to the same or nearly the same average of Parochial Rates. When Lands are not subject to the usual contingencies of Arable cultivation, when they are not subject to the risks and casualties of a numerous Poor, there the Tax being proportionate to an increased Rent will also be increased; but the ability of the Tenant to pay will by his freedom from those risks and casualties be also the greater. The increase of Tax whenever that may be made apparent will then fall on increased ability.

“ It has been thought proper to offer these arguments in favor of the present mode of assessing the Tenant's profits: A criterion is admitted by all to be necessary, where it is impossible to arrive at the actual profits. Whatever criterion is fixed must necessarily introduce some inequality; the most simple is the most convenient; the most general is the easiest to be under-

“ stood and pursued. The simplicity and convenience will be admitted in its favour; and if its operation in the instances where it produces inequality should be in favour of the Tenant, who can least sustain the burthen, it will be admitted to be an improvement, though not perfect where perfection cannot be obtained.”

As it has been held that Farms are affected by the variations in the prices of Corn differently according to the quality of the Lands attached to them, inferior Land being thrown sooner out of cultivation, or rendered more than proportionably unproductive of Profit on the fall of prices, and as therefore a Farm with Land of inferior quality let at a Rent equal to a Farm of superior Land with a less number of acres, may be disproportionably charged in being always assessed at the same amount as if productive at all times of the same Profit as the Farm of superior Land, it might be a consideration whether the Rent per Acre would not afford a better permanent criterion of the Profit of the Tenant than the Rent of the whole Farm, by taking the amount of the Annual Value of inferior Lands for the purpose of the Tax on it to be to the amount of the Rent of them as the Rent per Acre of these Lands is to the Rent per Acre of Lands of superior quality, the average Rent per Acre of superior Lands, being the basis of Estimate, to be declared by Authority from time to time as changes in it might require. Suppose a Farm of 300 Acres of inferior Land let at £225 Rent, that is, at 15s. per Acre, while the average Rent per Acre of Land of superior quality is 25s. or 20s. per Acre, (as it may be declared to be) the Annual Value of the former, for the purpose of the Tax on it, should be taken at three-fifths or three-fourths of the Rent; the Annual Value being settled, the proportion of it to be taken as the Occupier's Profit would be the same in both cases. Any trouble of computing the Annual Value and Profit might be obviated by Tables formed for the purpose.

*Preferable mode of levying the Duty in respect of Lands by Charging in one Sum the Landlord's Rent and Tenant's Profit.*

Incomes derived from Lands might be charged without that distinction of Landlord's Duty and Tenant's Duty, which was ob-

served under the late Property Act, but in one total amount to be considered as comprehending both Rent and Occupation Profit; the charge to be made at the same pound rate on all Properties according to their annual value, such annual value to be determined by the Rents or by such methods and rules of ascertaining or estimating the same as may be best adapted to the different denominations of Property. The Landlord and Tenant might be left to adjust between themselves the proportion to be borne by each—that adjustment might in general be more equitable and satisfactory than such as any legislative enactments fixing the respective proportions could effect. If this plan should be regarded as falling, like the present Land Tax, (taken according to the letter of the Act, not to its real effect) into a Tax on Rent or on the Landlord only, it is to be observed, that if a certain Revenue must be raised from Real Property, it may be immaterial whether there be raised distinctly, for instance, 2s. in the pound on Rent as the Landlord's Income, and 1s. 6d. on the Rent as the rate of the Occupier's profit, or whether 3s. 6d. be raised on the Estate without distinction of Landlord or Tenant:—Whether the present Land Tax had been raised like the late Property Tax, by two distinct charges, or the late Property Tax had been raised like the Land Tax, by one charge only, the effects on the respective interests of Landlord and Tenant would by mutual adjustment have soon become the same; whatever one had paid beyond the just proportion which his due share of the whole Income of the Estate demanded, the other would have been made to bear by an increase or by a diminution of rent, as the case required. To tax Landlord and Tenant, or rather the whole Profit of the Estate, by one charge would get rid of some complexity which that part of the late Property Tax was subject to, it would simplify its proceedings and render them less troublesome and inconvenient.

As the object should be to obtain the Tax from the aggregate of the Profit of every landed Estate in just proportion to that aggregate, whatever the division of it between Landlord and Tenant might be, and as it is extremely difficult to attain a knowledge of the actual amounts of the respective shares of that aggregate profit, it may be most expedient to determine on the plan now proposed of a single charge on the Rent without any apportionment of the

charge between the Landlord and Tenant. This is an interference which it appears most just and politic to avoid. Whatever may be the circumstances of variance between different occupations of Land (under which a general rule assuming the same rate of profit in all is not truly applicable to all) the burthen will be divided between the parties more nearly as it ought to be borne if depending on their mutual agreement, rather than on any compulsory general rule prescribing the same division of it in all cases. It might however be necessary to make legislative provision for the apportionment of the total charge during the unexpired term of Leases existing at the time of the imposition of the Tax. The expediency of the more simple and equal, the far less difficult and troublesome mode of charge now recommended appears the greater when it is considered that after a division of the whole Tax had been made by separation of it into two parts as under the late Tax, by which the Occupiers' share will in some cases be rendered an excessive and in others a deficient proportion of his real Profit, the necessity of some adjustment between the Landlords and Tenants in those cases for the purpose of equalizing the total burthen of the Tax may not ultimately be avoided or the difference be more easily settled between them; the Rents must in the end be increased or diminished according as the preponderance of the apportioned Tax may fall on the Landlord or on the Tenant.

The consolidated rate of charge on Landlords and Tenants of Lands, should of course, as embracing the united Incomes of two Classes of persons, be doubly or in the due proportion, greater than the rate of charge on the Income of any other Class taken distinctly.

The general rate of charge on Houses would be proportionably lower than the rate of charge on Lands, the former not yielding an occupation Profit; the respective rates might be determined with a due regard not only to that, but, if necessary, to other circumstances of difference arising from the different natures of the two Properties. The Profit of occupation of Land being taken under the late Property Act at three-fourths of the Rent, the Landlord was charged at four-sevenths and the Occupier at three-sevenths of the total Tax charged in respect of both—according to this rule the Owner of Houses should be charged on

his Rent at four-sevenths of the consolidated rate of charge on Lands, but the late Property Tax was a temporary one, and considering the difference in favor of Land in that essential quality of Property—durability,—it might seem that the ratio of charge on Houses should be somewhat lower.

Suppose it were required to raise an Income or Property Tax to the Annual Amount of £15 or £16 millions on Lands, Houses, &c. then assuming the same aggregate amounts of Rent or Annual Value of Lands, Houses, &c. respectively as were attained for charge under the late Property Act in 1814, the required amount of the Tax might on a rough Estimate be taken to be nearly as follows:—

	Amount. Millions.	Rate of Charge. s. d.	Amount of Tax. Millions.
Annual Value of Lands, including Mines, Quarries, &c..... }	£41	.... 6 0	.... £12 $\frac{3}{4}$
Annual Value of Houses.....	£16 $\frac{1}{2}$	.... 3 6	.... £ 2 $\frac{1}{2}$
Profits of Tithes .....	£ 2 $\frac{1}{2}$	.... „	.... £ $\frac{1}{2}$
	<u>£60</u>		<u>£15<math>\frac{1}{2}</math></u>

If to the sum of £41 millions Rent of Land, on which only the charge would *nominally* be made, there were added the Profit of Occupation, the actual rate of charge would be proportionably less than 6s.

According as the rate of charge on Houses should be equal to or lower than four-sevenths of the total rate of charge on Lands in order to put the Proprietors of Lands and the Proprietors of Houses on a fair relative footing, the Tax to be paid on Houses would in its rate be equal to or lower than 3s. 6d. in the Pound, and in its total amount than £2 $\frac{1}{2}$  millions. The nominal rates of 6s. and 3s. 6d. would be higher or lower than the real rates of charge according as the Annual Value assessed in 1814, taken as the basis, would be lower or higher than the real Annual Value at the future period of Assessment.

The amount of Tithes for which the Impropriators were charged to the late Property Tax was £2 $\frac{1}{2}$  millions; though the Sums paid to the Impropriators for Tithes is doubtless far short of the Sum due to them, (taken at one-tenth of the gross Produce) yet as the Com-

pounders or Lessees derive from that circumstance a very considerable Profit, much greater than one-fourth of the amount of the Compositions or Rent paid for the Tithes, (at which rate they were chargeable under Schedule B. to the late Tax) some addition might perhaps be made to the general rate of 3*s.* 6*d.* on the amount of Compositions or Rents received by the Impropriators compounding for or letting their Tithes, leaving the proportions of the Impropriators and of the Compounders or Lessees respectively to be adjusted between themselves in settling the terms of the Compositions or Leases—if the Duty on the amount of Compositions or Rents for Tithes were increased to 4*s.* 6*d.* it would infer a Profit to the Compounders or Lessees rather exceeding one-fourth of the Sum paid by them respectively to the Tithe Owners.

*On raising the Duties on Lands, Houses, &c. by fixed Quotas, as under the present Land Tax Act.*

If such an alteration of the plan of the late Property Tax as suggested under the preceding head be adopted, it might, after a fair general Assessment completed according to it had been fully established, appear also advisable to raise the aggregate amount of the Tax required from the whole Kingdom by dividing it into fixed Quotas, among the several Counties, Hundreds, &c. as under the present Land Tax Act, more particularly if it should be deemed expedient to render the Tax subject to Redemption and Purchase as proposed in the Third Part of this Work. The objection to fixed Quotas has been that as properties in different parts of the Kingdom undergo improvement or deterioration in different degrees, the Quotas become in the course of time unequal, taking Counties or Districts relatively to each other; but this objection might be remedied by rendering the Quotas variable periodically, and fixing them for a certain term only. A new general Assessment might take place every seven, fourteen or twenty-one years, (with reference to the general duration of Leases held for terms of years); the interval might be longer or shorter as circumstances should render just and expedient; or a new Assessment might take place only in any particular County, District or Place, in which a certain proportion of those liable to

charge should, in some prescribed manner, and form apply for it, or in which on a general review of any alteration of circumstances in any particular County, &c. it might appear to the Commissioners at large of that County to be necessary.

Fixed Quotas render certain the amount of the Revenue of the State on which it has prospectively to depend ; but another advantage of fixed Quotas has been considered to be that they render unnecessary the interference of Government or its Officers in ascertaining and determining the individual amounts, these would be settled by and among the Parties themselves vested with legal powers and means for the purpose ; each County and District being bound to pay a certain specified sum, the obligation of check would fall where perhaps the obligation of check in respect of Taxation more properly should fall and where it would be most effectual, that is on the Tax Payers themselves ; it is they who are most interested in the establishment and maintenance of fairness and equality of Taxation—they would then become the necessary and a strong restraint on each other,\* and Government would avoid such odium as it incurred under the late Property Tax by its constant interference and exercise of powers through its Officers, carried to vexatious minutiae with many of the individuals subject to the Tax ; there might not be a necessity for the employment in any District of a single Revenue Officer appointed by or under the control of Government, the Assessment and Collection would rest wholly with individuals independent of it, even the remittance of the monies to the Exchequer might be made without the interference of any Crown Officers,† and much expence,

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\* Any person disposed to commit evasion would be made more sensible by the operation of this plan that a Tax is an obligation as binding on him as any other obligation of a pecuniary nature, that a fraud on the Revenue is not a mere cheat on Government, but that it is a real private injury which every neighbour is interested and justified in preventing—there would be less of that feeling and opinion, just or not, against Taxation which the proceedings of the Crown Officers too often excite, not only in those attempting to evade, but in those disinclined to it ; the attention of the honest contributors would be more immediately directed where it should be, to the attempts of those who would defraud them, and to the defeat of them.

† The monies might be remitted by Country Bankers, by whom it could be received from the Parochial Collectors. Those Bankers who would remit it on the lowest and secure terms should be preferred.

which the permanent employment of them occasions, would be avoided.

If fixed Quotas should be deemed most advisable, a general Survey and Valuation might be made, as upon the first establishment of the present Land Tax, of the Real Property of the whole Kingdom for the purpose of ascertaining and determining the amount of the several Quotas, or Assessments might be made on individual Returns and Parochial Estimates as under the late Property Act, or, as it would be known that those Returns and Estimates were required for the purpose of forming Quotas for a permanency or for a long term, and therefore greater deficiencies and inequalities might be the consequence, it might be more advisable to resort to the last Assessment made to the late Property Tax, under Schedules A and B\* in the year 1814, for a basis of charge; though those Assessments were deficient in the aggregate of the actual amount of the Rental of Lands, &c. of that period, yet as the deficiency, whether it arose from individual evasion or from the defective rules of estimate prescribed by the Act, may, taking large aggregates, be assumed to have prevailed in nearly the same degree in the different parts of the Kingdom, the aggregate amounts of the several Counties, if not also the amounts of the several Districts and even of Parishes generally, might be found to approximate sufficiently their due relative proportions to each other; the fixed amount of the Quota of the Tax for each County might be declared in the Act itself as with respect to the Quotas of Land Tax which have always been declared in the Land Tax Act, and in that case the Quotas of the several Hundreds and Parishes might be afterwards fixed by the Commissioners of each County at a General Meeting of them: Or, as the Quotas of the several Counties declared in the Land Tax Act are required to be apportioned among the several Hundreds or Divisions according to the sums assessed on them respectively in the first year of the Land

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\* The amount of the Property Tax as assessed on Real Property for the year 1814, in every County, District, Parish and Place is attainable from documents which contain the charges extracted from the original Assessments, and which have been printed by order of the House of Commons. This information has been preserved notwithstanding the destruction of the original Assessments and Returns.



Tax, (1692) and as the Quotas of Parishes have seldom, if ever, been varied, so the Quotas of the new Tax in the several Hundreds and Parishes might be required to be apportioned according to their respective amounts of Rental as charged in the last year of the late Property Tax, (1814) and in that case the Amounts of the Parishes only would have to be afterwards apportioned among the respective inhabitants thereof; although the more minute the subdivisions of the fixed Quotas, the greater the probability of their becoming in time unequal, yet there might not be any great inequality arising from the Quotas of Parishes or even from the individual Assessments being fixed at the same amounts, if for a short term of years only. If any County, District or Parish should be dissatisfied with its declared Quota as taken from the last Assessments to the late Property Tax, it might claim to be subjected to a new Assessment which should be its Quota; for this purpose it would be necessary that a claim by notice to the Commissioners should be made by a certain proportion of the individuals liable to charge—and then the necessary proceedings should be resorted to for ascertaining the value of and re-charging every individual occupation and forming from the aggregate of all the changes the new required Quota.

The aggregate amount of the Income or Property Tax to be raised on Real Property throughout the whole Kingdom being determined in the first instance by the Legislature according to the pecuniary exigencies of the State, if the Assessments of the year 1814 were declared the basis of apportionment, the fixed Quota of each County, District or Parish would be the same proportion of that aggregate amount as its charge to the late Property Tax was of the aggregate charge to that Tax on Real Property in the whole Kingdom.\*

On subdividing the Quotas of Districts or Parishes among the several individuals according to the amount of their Returns of Rents or Annual Value, or of the Estimates made thereof by the Parochial Officers, the real Rates of charge would appear, and a

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\* The accounts at the end of the Appendix are data for estimating the proportions of the Tax to be raised in this manner from the respective Counties.

general compare of the effect throughout all Parishes and Places would shew whether the basis taken from the late Property Tax Assessments had produced due equality, or whether a new Valuation or Assessment, generally or partially, would be necessary.

*Dr. Adam Smith's Opinion on the plan of fixed Quotas.*

On a suggestion of raising an Income Tax, so far as concerns Lands and Houses, by fixed Quotas in the manner of the present Land Tax, but supposing as in that Tax, they were made unvariable and declared to be perpetual,\* it may be satisfactory to know how far such a plan conforms to the fundamental maxims of Taxation as stated by the able Writer before quoted;† he observes, “ A Tax upon the Rent of Land may either be imposed according to a certain canon, every District being valued at a certain Rent, which valuation is not afterwards to be altered, or it may be imposed in such a manner as to vary with every variation in the real Rent of the Land, and to rise or fall with the improvement or declension of its cultivation.

“ A Land Tax which like that of Great Britain is assessed upon each District according to a certain invariable canon, though it should be equal at the time of its first establishment necessarily becomes unequal in the process of time, according to the unequal degrees of improvement or neglect in the cultivation of the different parts of the Country. In England the valuation, according to which the different Counties and Parishes were assessed to the Land Tax by the 4th of William and Mary, was very unequal even at its first establishment. This Tax therefore so far offends against the first of the four maxims above-mentioned.‡ It is perfectly agreeable to the other three. It is

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\* The Land Tax was renewed every year by an Act of Parliament until 1798, when it was made “ perpetual, subject to Redemption and Purchase.”

† Dr. A. Smith.

‡ The maxim referred to is, that “ every one should be taxed in proportion to his means.” The four maxims are given in page 196.

“ perfectly certain. The time of payment for the Tax being the  
 “ same as that for the Rent is as convenient as it can be to the con-  
 “ tributor. Though the Landlord is in all cases the real contri-  
 “ butor, the Tax is commonly advanced by the Tenant, to whom  
 “ the Landlord is obliged to allow it in the payment of the Rent.  
 “ This Tax is levied by a much smaller number of Officers than  
 “ any other which affords nearly the same Revenue. As the Tax  
 “ upon each District does not rise with the rise of Rent, the  
 “ Sovereign does not share in the Profits of the Landlord’s im-  
 “ provements. Those improvements sometimes contribute, in-  
 “ deed, to the discharge of the other Landlords of the District.  
 “ But the aggravation of the Tax which this may sometimes oc-  
 “ casion upon a particular Estate is always so very small that it  
 “ never can discourage those improvements, nor keep down the  
 “ Produce of the Land below what it would otherwise rise to.  
 “ As it has no tendency to diminish the quantity, it can have none  
 “ to raise the price of that Produce. It does not obstruct the  
 “ industry of the People. It subjects the Landlord to no  
 “ other inconveniency besides the unavoidable one of paying the  
 “ Tax.

“ The advantage however which the Landlord has derived from  
 “ the invariable constancy of the valuation by which all the Lands  
 “ of Great Britain are rated to the Land Tax has been principally  
 “ owing to some circumstances altogether extraneous to the nature  
 “ of the Tax.

“ It has been owing in part to the great prosperity of almost  
 “ every part of the Country, the Rents of almost all the Estates of  
 “ Great Britain since the time when the Valuation was first esta-  
 “ blished having been continually rising and scarce any of them hav-  
 “ ing fallen. The Landlords therefore have almost all gained the  
 “ difference between the Tax which they would have paid accord-  
 “ ing to the present Rent of their Estates, and that which they  
 “ actually pay according to the ancient Valuation. Had the state  
 “ of the Country been different, had Rents been gradually falling  
 “ in consequence of the declension of cultivation, the Landlords  
 “ would almost all have lost this difference. In the state of things  
 “ which has happened to take place since the Revolution, the

“ constancy of the Valuation has been advantageous to the Landlord and hurtful to the Sovereign. In a different state of things it might have been advantageous to the Sovereign and hurtful to the Landlord.”

But as that “ different state of things” which is contemplated in the above concluding remark may perhaps be considered as having for some years past existed in this Country—it may be more expedient that the Canon or Quota of the new Tax should, as before suggested, be made periodically variable; the length of the intervals depending on circumstances, the occurrence of which or the period of it, it may not be possible to foresee. Such a modification might allow the Agriculturists as much of the advantage held out to them by a fixed Canon as would be compatible with that equality which concerns them, not only relatively to each other, but relatively to the other classes who would contribute to the Tax, and might thereby render that part of the Tax more conformable to the first of the four maxims, which a *permanently* fixed canon offends against, without rendering it materially less conformable to the other three maxims. In reference to Dr. Smith’s remarks on the difference of effect which alterations in the value of money may have where the Quota remains constantly the same, it may be added that if, when Money rises in value, the constancy of the charge to the Tax is hurtful to the Landlords, and if when it falls in value that circumstance is injurious to the Revenue, or rather to the other Classes who must then contribute to it in a greater degree, it is obvious that the fluctuations in the value of money are an additional ground for making occasional changes in the Quotas as variations of any moment in the value of Lands take place, particularly as these variations may be unequal, in as far as they may arise in some cases more and in some less from alterations in the value of money, or in the total quantity of it in circulation, than from any real increase or diminution in the value of the Lands themselves from other causes.

## Schedules C. and E.

*Schedule C.—Rules in respect of the Dividends of Funded Property and Interest of Public Securities.*

*Schedule E.—Ditto.—Salaries, Pay and Pensions of Public Officers under Government, &c.*

The late plan of stopping the Tax from Income at its place of payment not only prevented the possibility of escaping it, but it obviated much of the necessity of resorting to any troublesome and unpleasant proceedings for ascertaining the amount of Income and was doubtless on the whole more satisfactory to all parties.

It is not conceived that any material modification can be made in the Rules of the late Act, which applied *exclusively* to the Assessment, Collection or Stoppage of the Duties under Schedules C. and E., and therefore no other alterations are offered for consideration with respect to them than those of a general nature, such as may be necessary in case it should be determined to admit of graduated scales of charge according to the description or aggregate amount of Income, as hereafter submitted, instead of adopting a general Rate of Assessment. Whatever relief it may be deemed just and practicable to give to persons possessed of Incomes for life or terms of years would be particularly due to the Annuitants in the Funds and to the Public Servants, on whom the operation of the Tax would be most effectual. The severity of the late Property Tax in making no distinction in favor of Annuitants was remarkable in taxing the Short Annuities which had only a very few years to run, at the same rate as Annuities for life, or the Dividends of permanent Property. Receivers of terminable Annuities are perhaps the only description of persons which cannot, if excessively taxed, reimburse themselves, they cannot increase the amount of their fixed Incomes, or shift the burthen from them in any degree upon other Incomes, and as they may be under the further disadvantage, that a direct Tax can more effectually reach their Incomes than other Incomes in general, they seem most

justly entitled, whether exclusively or not, to the relief which a graduated scale of charge will afford.

It was a proposition during the late Property Act, that in order to estimate the difference to be made in favour of individuals having temporary or life Incomes only, such as Annuitants in the Funds, the value of the Income of the Annuitant, &c. should be calculated, and on a supposition that the ascertained value is worth 5 per cent. in perpetuity, the amount resulting from that rate should be considered as giving a real means of contribution equal to those of a permanent Income of the same amount. It was also proposed as a life Annuitant may by Insurance secure to his family at his death the value of his annuity, and consequently an equal Income of the same nature, that therefore the remainder of his Income after deducting the Premium for Insurance should be the sum assessed as his real Income.

The late Property Tax fell with as great if not greater severity on Public Servants in respect of their pay, &c. than on any description of Persons whatever, even than on most of those living on the Public Securities, for not only in common with them Public Servants could not avoid the Tax in any degree, but, unlike them for the most part, their Incomes were for life only. Persons deriving Incomes from the Public Funds, though there be many Life Annuitants among them, are in general, entitled to the Property as well as the Income derived from it.

Other persons than Public Servants, holding employments of a public nature not directly under Government, who were chargeable under Schedule E. could in a few cases escape the Tax in some degree, as the Tax was not deducted from them, and the amount charged on them depended on their own Returns of Profits.

In case of an Income or Property Tax upon a high scale, it might become a question whether the Funded Property of Foreigners, also the Property of Charitable Institutions, &c. should be exempted. The exemption of Foreigners was objected to during the late Property Tax as unjust, it was however conceived to have been politic as encouraging the investment of Capital in this Country, but as the Income drawn from it was remitted abroad, the policy of it might also in some degree be questionable. The exemption was not granted if the Parties were resident in Great Britain; but in order

not to discourage the expenditure of the Income in this Country, the exemption, if granted at all on a future Tax, might be extended to resident Foreigners, who are during Peace far more numerous. If the total amount is now, as supposed, inconsiderable, the objection to any exemption may be important in principle only, and the indulgence can with justice and also without impolicy be withheld. If the exemption were admitted it should not perhaps be extended to any resident Foreigners enjoying so far the protection of this Country as to be deriving Income from any other source within it than the Public Funds.

With respect to Charitable Institutions, Hospitals, &c. it may be alleged on one hand, as their Expenditure is subject to the present Taxes, that the abolition of them to a large amount might be a ground for rendering their Property liable in some degree to a substituted Income or Property Tax; on the other hand, it might be the greatest satisfaction that such an Impost existed as admitted the possibility of relieving their Funds wholly from Taxation.

No provision was made by the late Property Tax in favor of Property in Savings Banks vested in the Public Funds, the formation of them having at that time hardly commenced. It might be considered very desirable to exempt the Income of those Banks as an encouragement to the Laboring Classes to resort to them; but it is conceived that many Persons avail themselves of the benefit of them who though in very moderate circumstances are not of a description to need or be entitled to a total exemption, and the indulgence if extended indiscriminately, might give rise to abuse by increasing exceedingly the introduction of such and even a higher description of Persons into Savings Banks; it might be necessary to reserve a power to charge individually those who possessed other Income and were not of the description of Persons intended for relief. In case of an Income or Property Tax on a very high scale, and the consequent abolition of other Taxes giving much relief to the lower Classes, the Dividends of Savings Banks might be subjected to some rate of deduction but lower than the rate on Dividends of Funded Property in general.

**Schedule D.—*Rules in respect of Income from Commerce, Manufacture, Trade, Professions, Vocations, Employments,\* &c.***

The strongest objection urged against the late Property Act was that which was founded on its "inquisitorial powers," which were comprehended principally in the provisions of Schedule D. As those powers were given for the purpose of obtaining security to the Revenue and equality of Taxation, it may be to consider whether, with due regard to those essential objects on the one hand and to the particular interests and feelings of the Parties concerned on the other hand, the measure can be so far modified that the most objectionable of the provisions in question may be dispensed with or be adequately mitigated. For this purpose it is proposed, in the first place, that for the sake of avoiding frequency of proceedings, the Returns and Assessments under Schedule D. shall be made in alternate years, or triennially only, with power to grant relief in the intervening years in certain cases of Diminution of Profits. It may be sanguinely hoped that this modification would not be attended with so great a sacrifice of Revenue as to render it inadmissible; but, though frequency of proceedings may safely be dispensed with, yet it cannot perhaps be expected that the *mode* of proceeding can be so far modified as to render it wholly unobjectionable without risking too much Loss of Revenue and Inequality of Taxation. For the sake however of considering such an extensive modification, less with the expectation that it would be safe in its result and admissible in all its details than with the hope that the consideration of it may suggest some degree of alteration of the late Act which would be feasible and satisfactory, it is proposed, in the next place, that there shall not be granted, as under the late Act, any authority to compel, on pain of Penalties or of discretionary Assessments, the disclosure of pri-

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\* The charge under Schedule D. on employments extended to every service by retainer in any character whatever, whether such retainer were annual or for a longer or shorter period.



vate Affairs of Trade and of concerns of the nature of it, or to examine or question the Parties, or any Persons in their employ upon the particulars of those affairs, or to demand the production of any Books, Papers, Schedules or Accounts whatever; and that no other particulars than the Returns of the *total* Amount of Profits and Gains shall be required; that there shall be no power given to make Sur-charges; that in order to impose on all Parties in the most sacred and obligatory manner the duty and necessity of making just and fair Returns, and to render it as difficult as possible to avoid the due and conscientious fulfilment thereof, the clearest and fullest rules and directions which can be prepared shall be prescribed to and circulated among them, according to which they must be bound to make out the Total Amount of Net Profits, these rules and directions not to be of a general nature, but to be varied as far as possible so as to meet every description of concern; that the Parties shall make declarations on their Returns that they have truly and conscientiously, to the best of their ability and understanding, conformed to those rules and directions in making their Returns, without having, upon any pretence whatever, withheld or diminished the amount which according to the said rules they ought to return. It might not be necessary to circulate the Rules and Instructions on every requisition of Returns; once distributed, it would be the duty of individuals concerned to make themselves acquainted with them. If the Income Tax should be raised to a great extent, it would be more important for every Contributor to be fully and correctly informed in whatever part of it related to himself. If the amount of the Returns be not satisfactory to the Commissioners, they may be empowered to call on the Parties to revise them, or to make oath to the truth of their declarations; the Parties shall, if required, attend the Commissioners for that purpose, when the rules may be explained to them in any particulars which the Commissioners may conceive they have not rightly comprehended; on which attendance however the Parties shall not be obliged to answer any question to which they may object, or to give the smallest information on the subject of their Trades or Concerns, but having revised their Returns, and having sworn to the truth of the revised Returns, if required so to do, or

of the Declarations on their Returns if not revised, the Returns must be accepted without further proceedings therein.\*

If it should not be advisable to circulate among the Parties rules varied in detail so as to meet the various natures of their several concerns, and to require declarations of course in all cases in the manner proposed of their conformity thereto, the requisitions for their Returns might contain very general instructions only; but in cases of unsatisfactory Returns, the Commissioners should call the Parties before them, when, instead of investigating their affairs as under the late Act, they should explain to them most fully the rules applicable to them, and require the revisal of their Returns accordingly, and, if necessary, declarations on oath of their conformity thereto. To supply in some degree the want of that aid which investigation would afford, the Parties might be furnished with examples, as prepared in the Guide to the last Property Act published by Authority in the year 1806, for the purpose of illustrating the rules of it. It is believed that this publication was intended for and had a limited circulation only, extending but little beyond the Commissioners and Crown Officers, but the circulation and utility of such examples might be rendered more extensive and from subsequent experience under that Act of several years, as also from the knowledge of the affairs of Trades in general they might be rendered more completely applicable; Examples might be prepared so various that each Party should be sure of finding his own case among them, and be left without doubt or pretext as to the return he had to make. A return made simply of the sum which in the Party's own estimation or assumption is the amount of his Income may be very different, (and in many cases without any wish or intention to evade) from the

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\* It was objected to the Forms circulated under the late Property Act that they were too diffuse, that they contained a great deal of matter among which it was difficult for every one to find such as applied to his own case; that the same Forms were distributed indiscriminately among all descriptions and classes of persons, many of whom were incapable of understanding them. It may however be surmised, that the nature of the requisitions did not dispose all Persons to give them that degree of attention which was necessary for a sufficient comprehension of them.

amount of a Return made in strict conformity to certain rules for taxing it. Ignorance and misconception of the Rules for returning Profits may have been in many cases the pretence, but they were, it is conceived, in numerous instances, the real cause of deficient Returns under the late Act. The Parties may often not have been fully aware of the extent of their deficiencies, or construing the Rules favorably, may have been less scrupulous in making short Returns. Much of the deficiency which arose under Schedule D. was therefore, from the cause of it, not imputable to any fraudulent or evasive intention of the Parties.\*

If a modification of the former course of operation would be admissible, to the extent and in the manner just suggested, an Income Tax could no longer be accused of possessing "inquisitorial powers," and as an encouragement to the adoption of it, it may be observed that the Rules for making Returns contained in the late Act which were less conscientiously binding and less applicable than those contemplated in that modification, produced results in produce of Duty indicating the advantage which a judicious and mild course of proceeding might have obtained,

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\* Various were the causes of short returns of Profits to the late Tax; some believed that the Profit to be returned was the excess above the legal interest of Capital employed, others that it was the Net Receipt after deducting all monies laid out in improvements and extension of Trade, some deducted Debts whether recoverable or not, others made deductions for Expenditure not strictly connected with or arising out of the Trade carried on. The deficiency of Returns arose therefore in some degree from ignorance or misconception of the allowed and of the prohibited deductions, or the prohibition of some of the deductions enumerated was so contrary to the view of some Individuals, as to what fairly constituted Amount of Net Profit, or Gain, or the Cost of producing it, that they less scrupulously disregarded it; the prohibited deductions more particularly alluded to, were contained in the following rule, viz. that no sum should be deducted "on account of loss not connected with or arising out of such Trade, Manufacture, Adventure, or Concern; nor on account of any Capital withdrawn therefrom; nor for any sums employed or intended to be employed as Capital in such Trade, Manufacture, Adventure, or Concern; nor for any Capital employed in improvement of premises occupied for the purposes of such Trade, Manufacture, Adventure, or Concern; nor on account or under pretence of any Interest which might have been made on such Sums if laid out at Interest; nor for any Debts except such Debts or such parts thereof as shall be proved to the satisfaction of the Commissioners respectively to be irrecoverable and desperate; nor for any average loss beyond the actual amount of loss after adjustment; nor for any Sum recoverable under an Insurance or Contract of Indemnity."

or at least proving the inefficacy of the scrutinizing and harsh course of procedure which ensued on the very great number of unsatisfactory Returns arising from inefficacious Rules. It will be seen by the Accounts\* of Income returned under Schedule D. during the 11 years of the late Tax (1803—1814) a period of Commercial and Trading Prosperity, that the Amount of Profits obtained for Charge in the last year exceeded the amount of the first year by about one-twelfth of it or £3 millions only, and that during any of the intervening years there was no increase whatever obtained, while the amounts of the taxed Income from Lands and Houses (Schedules A. and B.) were increased within that period in the proportion of nearly three-fifths or £33 millions. If the proceedings under Schedule D. had been less inquisitorial and vexatious the Sum (probably inconsiderable) which might thereby have been lost to the Revenue would have been a sacrifice well worth making for the sake of conciliation, while the forbearance of them would have weakened the opposition which prevailed against the measure, and might eventually have been the preservation of it.

If it should, however, be considered that the modification under Schedule D. just proposed would be too extensive, as relying overmuch on the Parties themselves, and on a kind of check which would be ineffectual with too many of them, and that investigation into their profits and the power of charging beyond their Returns should not be wholly dispensed with, a more limited modification may be considered. As the objections to the proceedings under Schedule D. of the late Act were much increased by the Surcharges of the Crown Officers, who were stimulated by reward made proportionate to the amount of their successful charges, it may be proposed that the power of investigation and also of increase should be confined to the Commissioners, whose disinterested exercise of the authority and discretion entrusted to them, would render the proceedings as conciliatory and unobjectionable as the nature of them would admit. If the assistance of the Crown Officers should be necessary in the proceedings it might be required without any provision for emolument in respect of increase of Duty arising from it, and they might be rewarded wholly by

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\* Vide Appendix.

fixed salaries to an amount according to the extent of their duties in general.\* When it is known that a Revenue Officer receives a reward proportionate to the amount of the Taxes which he recovers, the feeling excited by his proceedings in those against whom they are directed, is greatly aggravated.—If Revenue Officers were wholly rewarded by liberal fixed Incomes, then in order to ensure a due attention to cases of evasion they might be subjected to punishment for neglect if they overlooked any such palpable instances of fraud as by ordinary pains and care they could have discovered and brought forward. The infliction of punishment for gross neglect in lieu of a reward for superior vigilance may appear harsh, but it is confidently believed that so great is the repugnance of most Revenue Officers, who now from necessity (their salaries being very low and insufficient for their maintenance) depend on their Surcharges for a livelihood, to such a course of procedure and means of compensation, that they would gladly submit to the alteration. If however it should be apprehended that evasions to an excessive degree might be attempted unless there was an equivalent interest existing somewhere in the detection and prevention of them, the Crown Officers might be admitted to that service with limited powers. They should in that case not be permitted to make charges on the Parties at their discretion, as under the late Property Act, the Commissioners having then only the power to decide on appeal between them, but the Officers should in the first instance, previous to any notice to the Parties, bring forward their proposed cases of charge before the Commissioners, who, after hearing the particulars of the information and of the evidence to be adduced in support of the proposed charges should determine whether there was sufficient ground for proceeding against the Parties, and in what manner or to what extent they should be pursued, or whether the proposed charges should be at once rejected. The degree of compensation to the Crown Officers might depend on the Certificates of the

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\* The Income Act, 1799, did not contain any provision for remunerating the Crown Officers in proportion to the increase of duty occasioned by them, but it directed that reward should not be given to any of them for their services under that Act, unless the District Commissioners granted them Certificates of good conduct, nor to any greater amount than the Commissioners represented them to be entitled to.

Commissioners, having reference not only to the extent of the increase of Revenue from their services, but to the judgment and moderation manifested by them in their proceedings. Such a precautionary course would be a guard against unfounded or vexatious charges. Considering the nature of the office of District Commissioners of Taxes and the description of men who execute it, every confidence might and should be placed in them—but if it were deemed expedient to guard against the possibility on their part of partiality or of excessive indulgence to individuals, it might be provided that a Crown Officer having as he conceives full grounds for further charges which the Commissioners of the District would not sanction his making, should have an appeal to his superior Boards in London—at the Treasury or the Tax Office, by which if, after hearing the reasons for refusal of the sanction of the District Commissioners, the cases should be deemed proper for further charges, he should be authorized to make them; the appeals of the individuals if dissatisfied with the charges, would be decided by Commissioners of Appeal in the District, forming in that case a Board distinct from those who had refused their sanction. As there is no quarter in which there is a stronger feeling against hard and vexatious charges of the Crown Officers of the Revenue than in those superior Departments there is no reason to fear that the Officers would be encouraged or allowed to make groundless or rigorous charges. It is conceived however if such a precautionary provision were made that there would be but very few cases in which there would be a necessity for resorting to it.

The complaints of “inquisitorial and vexatious powers” under Schedule D. of the late Property Act were well-founded so far as they were unreasonably and unnecessarily so, that is, so far as honest contributors, though making full and fair Returns, but which were not so according to the suspicions or conjectures of others too anxious for, as being interested in, detecting evasion, and too ready to proceed on slight grounds, were subjected to their scrutinizing proceedings; so far as intentional fraud felt the severity of those proceedings the consequences were rather self-inflicted than imputable to the use of improperly vested power. The check against evasion of a future Tax should then be in the

exercise of power in such a degree and in such a manner as shall effectually operate against gross and notorious fraud on the one side, and against the misapplication of the power on the other side, such as may secure all honest Individuals against unmerited and unnecessary procedure; it is conceived that this desirable limitation of power may be obtained in the greatest degree by a course of proceeding restricted in the way proposed in the last suggested Modification.

The first Property Act (1803) provided a mode of Assessment on Persons in Trade, through Referees, but it appeared that hardly any Persons availed themselves of it,\* from which it might be inferred either that secrecy was never violated or that it was not generally necessary or desired, and the provision was therefore discontinued in the subsequent Acts; but as risk of exposure of the state of individual Trades was afterwards raised as an objection to the Tax, the provision might be again tried, or Persons in Trade might elect out of the general list of Commissioners one or two of them by whom only they would prefer being assessed according to the rules of the Act; but lest partiality, and not secrecy, should be found to be the object of reference in any case, there should be a power to refuse the continuance of it, or to require a change of the Referees or an addition to the number of them.

The late Property Act authorized the appointment under Schedule D. of additional or assessing Commissioners, or a division of the Commissioners for the General Purposes of the Act, into such Commissioners. "The jurisdiction was given," as "explained in the Guide to the Act (1806) that there may be "a review of each statement by persons in the neighbourhood of the party who may have a competent knowledge of "the nature and extent of the business carried on by him, "they are to carry on the enquiry in concert with the Officers "of the Crown, and may receive from others any information "that is offered, but they have no judicial powers of enquiry, "they cannot summon the party or witnesses nor examine them,

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\* About 20 persons only took advantage of the offered indulgence.

“ they cannot administer an oath, but are merely to pass their  
 “ judgment on the sufficiency or insufficiency of the party’s  
 “ Return, and to make an assessment according to their judg-  
 “ ment. In this light they are Assessors chosen from a more  
 “ respectable class of the community. It is much to be lamented  
 “ that it has not been usual to nominate additional Commissioners  
 “ from each extensive Parish, and from several smaller adjoining  
 “ Parishes united, by which the Commissioners for General  
 “ Purposes would be greatly assisted in their enquiries, especially  
 “ in the lower classes of Traders; but it is believed to have been  
 “ the universal practice to divide the Commissioners for General  
 “ Purposes, who are of a class of life removed from a knowledge  
 “ of the transactions of their inferior neighbours.” The truth of  
 these observations and the effects of the practice lamented in them  
 were more fully demonstrated in the several subsequent years of  
 the operation of the Tax. It might be desirable, if the measure  
 were revived, not only to obtain for every large Parish or Place  
 or for a certain number of small Parishes united, the services of  
 such local Assistants as the additional Commissioners under the  
 late Act were intended to be, but to vest them with fuller powers,  
 leaving to the General Commissioners no other jurisdiction than  
 of deciding Appeals against the charges of the Assessing or Local  
 Commissioners; Appeals against the charges of the Crown Officers,  
 if allowed to make any, being to be preferred to the Local  
 Commissioners, or to the General Commissioners as the parties  
 themselves might prefer.

Besides the advantage to the Revenue, these multifarious local  
 jurisdictions would render the proceedings less objectionable to  
 the Parties, who could then avoid the loss of time and the in-  
 convenience and expence they were formerly subject to of at-  
 tending the General Commissioners at places distant from the  
 residences or places of trade and occupation of the former, when  
 they were often detained a considerable time before their Cases  
 could be heard and determined.



*On the Rules for charging or exempting Wages and Small Incomes connected with Labor, and other small Incomes.*

By the Property Act, the Income of any Person arising wholly from Labor at daily or weekly wages as a Laborer, Artisan, Handicraftsman, Mechanic or Manufacturer, if not exceeding 30s. in any one week, or other greater wages from employment in Husbandry at harvest time, was judged to be under £50, and was exempted from Duty, in case the Party was not in the receipt of Income from any other source (other than Property not exceeding the Annual Value of £5.) Although wages during the late War were in many employments at a higher rate than 30s. per week, the Tax was raised scarcely from any other persons, the rates of whose wages rendered them liable to it than those in the immediate employ of Government at the Public Dock Yards, and other places where the necessary steps were taken for stopping the Tax from wages exceeding the limited rate. The hardship of exacting from Wages above 30s. per week (or £78 per annum) a Tax exceeding £4. 4s. Od. viz. the charge on an Income of £78, while Wages between 20s. and 30s. per week, were not, like other Incomes between £50 and £78 subject to a gradation of charge but were totally exempt, and the apprehended difficulty of obtaining lists of the Workmen and of the rates of Wages from their Employers prevented in a great degree a compliance with the rules of the Act for charging high Wages.

If other Taxes to a very considerable amount were abolished, and persons receiving Wages were proportionably benefited by the consequent fall of prices of the necessaries of life, then many of them paid at high rates of wages, and not having large families, might be enabled to contribute to the substituted Income Tax; but if the repeal of other Taxes were inconsiderable, and as the wages of Workmen and Artisans should be kept at a sufficient rate for their subsistence and comfort, and in proportion to the degree and nature of their work, a Tax upon their Wages might render necessary an increase of them, and consequently an increase of price to the Public at large of whatever it obtained from labor. Abolition of other Taxes to a great amount, in much

diminishing the expence of living, would be a just ground for lowering the rates of Wages where they had been sufficiently high for the previous cost of the necessaries of life, and a reduction of Wages in such cases would probably effect as great, if not a greater, saving to other Incomes than a diminution of their payment to the Tax by extending it to Wages. To obtain Returns and collect the Tax direct from such very numerous classes would be almost impracticable, and there would appear no other means for obtaining the Duty than to render the Employers answerable by requiring from them not only Returns of all Wages but also their stoppage of the Duty and payment of it to the Collectors; but this might be a far too difficult and responsible task to be imposed on the Employers, and place them on a very unpleasant footing with their Workmen. On the whole it may be most expedient to exempt Wages of whatever rate, and however high the Scale of the Tax on other Incomes, but in order to prevent abuse, the exemption should be strictly confined to the Classes enumerated in the Act, so that any other description of Persons not entitled to exemption could not obtain it on the pretence that their Incomes were derived from Wages. Some evasions of this kind occurred under the late Property Act in cases of persons with Incomes exceeding £50 but below the chargeable amount of Wages.

Whatever might be the risk to the Revenue and the difficulty of proceeding, it seems necessary also to grant exemptions in favor of all Incomes below a certain amount, say £50, if connected with Labor, although not derived from daily or weekly Wages. The Parties would be principally small Farmers, Shopkeepers, &c.

The exemption of Wages and other small Incomes derived from Labor will appear a very important point in devising such a mode of raising a Tax on Income as shall render the procedure of it as limited as possible, when it is considered that about three-fourths of the whole number of Persons possessed of Incomes consist of Laborers at daily and weekly Wages, and of others with Incomes of an inferior amount derived from Labor, or from Labor connected with very trifling Capitals.

From the great number of Persons with Incomes under £50 derived wholly or partly from Property (Schedules A. and C.) which

under the late Property Tax formed a very large proportion of the whole number of Persons charged to that Tax,\* and the comparatively small amount of Net Duty to be produced therefrom, it might appear desirable also to exempt the whole of that class of Persons, whatever Scale of charge were adopted; if however it should be considered most just to charge them as having Income with the superior advantage of possession in general of the Property from which it is derived, it is to be observed that the Tax can be ascertained and collected from such Income with far less difficulty than from small Incomes derived from other sources; it is certain that the proceedings for settling exemptions under Schedule C. would be more troublesome and difficult than those for stopping the Tax.†

An exemption in favor of the Dividends of Stock belonging to Savings Banks would however be an easy means of relieving many poor Persons among the Laboring Classes and any others vesting their Savings in those Banks to whom it might be deemed proper to extend it.

Under the late Act Persons having small Incomes charged under Will or Deed (to which they were, not Parties) on the Property of others were entitled to exemption or abatement. The proceedings for obtaining the allowances were inconvenient, as reference, (attended with trouble, expence, and delay) to the general Board in London was required for their legal opinion; these proceedings might be facilitated in a future Tax, if similar allowances were again granted, by vesting the decisions on the claims, as they safely might be, in the Commissioners of Districts solely.

The interference of Parochial Authorities to enquire into and certify to the Commissioners as to the Incomes of persons entitled to exemption may be very useful, as preventing much difficulty and trouble to the Commissioners, and expence and loss of time to the parties, they being also more competent to the task from

\* Vide Estimate in the Appendix.

† Cottages not exceeding the annual value of 40s. belonging to and occupied by persons not having Incomes otherwise chargeable, were exempted under the late Act; but it is conceived that the proceedings (under Schedule A.) for that purpose were attended with less trouble and difficulty than the assessment and collection of the Tax would have occasioned.

their knowledge of the circumstances of the several individuals residing near them. Such interference was admitted under the first Property Act, but discontinued under the subsequent Act. It might perhaps have been found that the Parochial Authorities were too inclined for the exemption of the lower classes from Taxation in order to keep them from the danger of wanting relief from the Poor Rates or in a better state to contribute to them. It was observed, on passing the Act of 46 Geo. 3, "that the great abuse of parochial inquiry into Incomes which were entitled to be exempt, prevailing in almost every District in the Kingdom, has induced the Legislature to determine that power, and to invest the Commissioners with it. Proof has shewn that however desirable it might be that small Incomes should have been ascertained by a Jury of Neighbours, the power cannot safely be entrusted below a certain rank and condition of life." Notwithstanding this objection, if an Income Tax should be imposed on a high scale, it might be indispensibly necessary to resort for assistance to the Parochial Authorities, unless assessing or local Commissioners were appointed to a sufficient extent; or the Parochial Certificates might be considered merely auxiliary to and not as binding on the Commissioners.

The following observations made at the same time, which shewed the danger of granting exemptions, and the degree to which evasion was carried where the means for it were afforded, should not be withheld.

"By the former Act an exemption was granted on the whole of every person's Income under £60 per annum. So baneful is indulgence, that this Regulation, intended to have a strict and limited operation, has been productive of the greatest frauds on the Public. It is notorious, that persons living in easy circumstances, nay even in apparent affluence, have returned their Incomes under £200, although their annual expenditure has been treble that sum, and on whom there was no ground of imputing extravagance. The Incomes of whole Parishes have been swept away by this fraud, such persons generally bringing their Incomes to a fraction below £60; hence it is that the Legislature found the necessity of confining the exceptions to £50, that their

“ former returns may be made use of, and should the fraudulent practice continue it may hereafter become necessary still further to restrain it.”

It is conceived that the improved Regulations of the subsequent Act of 1806, were so far a security against evasion as to render less necessary any further guard against it, although it continued in some degree where the Assessments depended principally on the Returns of the parties.

*Appointment of Commissioners, Assessors, and Collectors.*

Some more general and popular mode of appointing the Commissioners and the Parochial Assessors and Collectors than existed under the late Property Act might perhaps be politic under a future Act. The Commissioners of each District, not exceeding seven in number, were chosen under the late Act at a General Meeting of the Commissioners of Land Tax of the Counties at large from among themselves. In Cities, Towns, &c. which were Counties of themselves, the Appointment rested in the Commissioners of Land Tax separately named for them. The Inhabitants of Parishes were vested with an occasional limited right of interference in the appointment of Assessors and Collectors, but it was scarcely ever exercised and probably not known to exist. In a future Tax, the selection of the Commissioners for each District (consisting, as before, of Gentlemen, whether Commissioners of Land Tax or not, who shall be qualified in a certain amount of Property) might be made at fixed periods by the general body of the persons chargeable to the Tax within it; and the Assessors and Collectors of Parishes might be similarly appointed, either annually as formerly or for longer terms.

Improvement might be made by consolidating many small Parishes or Places and nominating the same Persons as Assessors and Collectors for the whole of them—the increased amount of the Compensation of Poundage would obtain a more efficient description of men to the exclusion of many uneducated persons in inferior circumstances, such as in small Parishes were formerly employed, greatly to their own inconvenience as well as to the imperfect execution of the Duties entrusted to them. Security

was too generally omitted to be taken from Collectors of the late Tax, many of whom could hardly have procured Sureties; losses by their failures occurred, and Parishes were subjected to Re-assessments to make them good, by diminishing the number of Collectors, and making a judicious selection of competent Persons at adequate Allowances, without however increasing; but probably rather lessening the aggregate amount of Expenditure, Security from such consequences would be attainable, and the Duties in general would be more satisfactorily performed. If full security were required and given the legal responsibility of Parishes for their Collectors would no longer be necessary.

*Scale of Charge graduated according to the Amount and Description of Income.*

The late Property Act made a distinction between Income derived from Property and Income derived from other sources,\* by granting abatements of the full duty to the latter, and, except in a few cases,† excluding the former therefrom, but it limited them to Incomes under £150. As a modification which was generally and urgently called for during the late Tax, it is proposed to submit for consideration whether in a future Tax the graduated Scale of Charge should and could be extended to all classes below the highest class of Income, and whether a distinction between the two descriptions of Income should not to a certain de-

\* In stating in general terms "Income from Property" and "Income from other sources," it should be explained that by the former is to be understood Income derived from Property real or personal, and not connected with labour, viz. Rent of Lands, Houses, Interest of Funded Property, and Securities of every kind bearing Interest; and by the latter, Income acquired by Labor whether of the head or hand, though connected with Capital, as in cases of Farmers, Manufacturers, Merchants, Traders, of persons in the Professions, and in all Offices and Employments whether of a public or a private nature.

† The abatements under the Property Act extended to some cases of Income under £150 derived from Property if connected with Labor, as Ecclesiastical Incomes derived from Tithes, Profits of Mines, Quarries, &c. and to one not connected with Labor, viz. an Annuity charged on Property over which the Annuitant had no control.

gree be maintained throughout all classes, and to estimate the effect on the Produce of Duty which such an alteration and extension of the Scale would be likely to create; for this purpose it will be necessary to form the whole Income into two divisions of the above denominations, and to arrange it in classes according to the amounts of the aggregate Income of the several Possessors, proceeding upon the following basis of estimate which is offered as a safe one.

*Basis of Estimate of the Produce of a future Income or Property Tax.*

The year 1814, ending 5th April, 1815, was the last year for which Returns and Assessments were made under the late Property Act, and the following are the most material particulars of them.

SCHEDULE A.

	Millions.
Amount of Rent, or Annual Value of Lands .....	*£39 $\frac{1}{4}$
Ditto of Houses and Buildings .....	16 $\frac{1}{4}$
Ditto of Profits of Tithes .....	2 $\frac{3}{4}$
Ditto of Profits of Manors, Fines, Quarries, Mines, Iron-Works, Tolls, Canals, and other Profits arising from Lands not before enumerated.....	1 $\frac{3}{4}$
	(a) £60 $\frac{1}{4}$

\* To avoid a multiplicity of figures and unnecessary precision, fractions are given instead of the exact sums stated in the accounts. The fractions used sometimes express rather more, sometimes rather less, than the stated amounts. This note also applies to all the sums hereafter given in fractions or in round numbers.

	Millions.
(a) Including Scotland, Lands.....	5
Houses.....	1 $\frac{3}{4}$
Other Profits	$\frac{1}{4}$
	6 $\frac{3}{4}$

## SCHEDULE B.

	Millions.
Amount of Profits from occupation of Lands, computed on the total } Rent or annual Value thereof, at the rate fixed by the Act..... }	£27½
Amount of Profits from Composition for Tithes and Tithes leased... }	½
	(b) £27¾

## SCHEDULE C.

Amount of Annuities and Dividends of Stock, including Bank, East India, South-Sea and Carnatic Stocks, also Interest of Exchequer Navy and Victualling Bills, Irish Tontine Annuities, &c..... }	£30
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## SCHEDULE D.

Amount of Profits of Commerce, Manufactures, Trades, Professions, Employments, and casual Profits not included in other Schedules }	(c) £37¾
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## SCHEDULE E.

Amount of Profits of Public Offices and Appointments under Government .....	£12¾
Amount of Profits of other Offices and Employments of a Public nature .....	1¾
	£14½

*Deductions, Exemptions and Allowances.*

## SCHEDULE A.

	Millions.
Amount of Deductions for Land Tax, Drainage, small Cottages, &c.....	10
Amount of Rents and Profits of Lands exempted as belonging to Charities	½
	£1½

	Rent or Value. Millions.	Rate of Estimate of Profits.	Rate of Deductions for Tithe-free Lands.	Amount of Profits. Millions.
(b) England and Wales..	34½	..... ½ of Rent	..... ½	24½
Scotland.....	5	..... ½ of Ditto	.....	2½
	£39½			£27¾
The rate of Profit to the Compounder or Lessee of Tithes charged under Schedule B. was taken at one-fourth of the amount of the Composition or Rents.				
(c) Including Scotland, £2¾ millions.				



## SCHEDULE B.

	Millions.
Amount of Deduction for Tithe-free Lands in England and Wales . . . .	£1½

## SCHEDULE C.

Amount of Dividends of Funded Property exempted as belonging to } Charities and Friendly Societies . . . . . }	2½
Amount of Ditto as belonging to Foreigners . . . . .	½
	£1½

*Allowances on the ground of Income.*

	Millions.
Amount of Income not exceeding £50 exempted . . . . .	£7
Amount of Income exceeding £50 and under £150 on which allowances of Duty were granted . . . . . }	18½
	£25½

Total Amount of Gross Duty . . . . .	£16½
Amount of Exemptions and allowances of Duty on Incomes not ex- ceeding £50 . . . . . 7½ m. }	1½
Ditto exceeding £50 and under £150 . . . . . ½ m. }	
Total Amount of Net Duty . . . . .	£15½

*Total Amount of Income and of Net Duty charged thereon under each Schedule.*

Schedules	Amount of Income. Millions.	Gross Duty after certain Deductions. Millions.	Amount of Net Duty after Exemptions and Allowances on Incomes under £150. Millions.
A . . . . .	£60½	£5½	£5½
B . . . . .	27½	2½	2½
C . . . . .	30	3	3
D . . . . .	37½	3½	3½
E . . . . .	14½	1½	1½
	£170	£16½	£15½



of its existence, for, although a considerable diminution may in some sources have taken place, yet it is conceived there was a large amount of Income chargeable, or which should have been rendered chargeable, beyond the amount brought into Assessment, and that a great part of it would have been attained for charge under the improving operation of the measure.\*

For the undermentioned reasons,† the Estimates of the produce of a future Income Tax are founded on the amount of Income charged under the several Schedules of the Property Act for the

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\* The Tax ceased on 5th April 1815, but was revived for one year more (1815 ending 5th April 1816) in consequence of the renewal of the War. The Assessments charged for 1814 were continued without fresh returns, and without the power of increasing them, except in respect of the Dividends of Funded Property and Interest of Government Securities and of the Profits of Offices and Appointments under Government, Schedules C. and E; but in consequence of the great distress among the Agricultural and other Classes at that time, provision was made for abatement of the Duties in certain cases of diminution of Rents or Profits under Schedules A. B. and D. The aggregate produce of the Duty for 1815 exceeded by a small amount the produce of the preceding year in consequence of extraordinary Loans, the Interest of which increased the amount charged under Schedule C. to £33 Millions; but the Excess was probably much less than it would have been if the authority for making increase had been extended to all the Schedules.

† Although the Income of the Country may in the aggregate have undergone such great diminution in nominal amount since the period of the Property Act, that in forming an estimate for a subsequent period upon the amount before brought into charge, without regard to the diminution in those sources the amount of which cannot be satisfactorily estimated, it should be excessive with respect to those particular sources, yet such an estimate is conceived to be on the whole better adapted for the object of this part of the Work than if formed upon any less certain standard; for, whatever shall be the Income of the Country when an Income or Property Tax may be again deemed expedient, any materials relating to it may be more safely referred to if founded upon a state of Income ascertained, so far as the same could be, for the like purpose of a Tax upon it, and authenticated by public documents, than if prepared upon some presumed state of Income without any authentic data for it.

Without venturing in this place upon the complicated subject of the various causes which have affected the Income of the Country, some tending to diminish and others to increase it, but considering how wide from each other are the opinions of different persons on those points, there appears additional reason for rejecting any mode of estimate founded on data varying with the fluctuating circumstances of the times and open to such great differences of opinion.

The presumption which will appear in some of the estimates hereafter introduced, that nearly the amount of Income before charged may be again attained for charge, must be taken with reference to the reason just given for proceeding on such a basis, and not as arising from any very confident anticipation of such an event.

year 1814, with variation in the amount of those descriptions of Income only of which it is known there was but little or no deficiency remaining to be charged, and the subsequent diminution in which may be approximated sufficiently for the purpose, viz. Income from Funded Property and Public Securities (Sch. C.), and Income derived from Public Offices and Appointments under Government (Sch. E.)

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*Division of Income according to its Denomination.*

The Property Tax Accounts distinguish the proportions of the two divisions or denominations of Income sufficiently for the purpose of estimating the amount of each. The Income under Schedules A. and C. may be considered as derived in general from Property, and the Income under Schedules B. D. and E. as derived in general from other sources.

In forming the divisions in this manner one division may contain some proportion of Income which in the operation of the Tax with the proposed modifications would probably fall within the other division; but it is conceived if such proportions could be ascertained, and the amounts of the two divisions were varied on account of them, that the difference in the total estimated result of each would be inconsiderable.

The amounts of the Income of the two divisions, taken from the Property Tax accounts of the year 1814, appear as follows:—

	Millions.		Millions.
Schedule A..	£60 $\frac{1}{4}$	Schedule B..	£27 $\frac{3}{4}$
C..	30	D..	37 $\frac{3}{4}$
	<hr/>	E..	14 $\frac{1}{2}$
	£90 $\frac{1}{4}$		<hr/>
	<hr/>		79 $\frac{3}{4}$
		Schedules A. and C...	90 $\frac{1}{4}$
			<hr/>
		Total Amount brought into charge....	£170
			<hr/>

The Estimate of the two divisions is for the present purpose as follows :—

	Millions.		Millions.
Schedule A..	£60½	Schedule B...	£27½
C..	29 *	D..	37½
		E..	11½*
Estimated Amount of Income } derived from Property .. }	89½	Estimated Amount of Income } derived from other sources .. }	76½
		Schedules A. and C...	89½
		Total estimated Amount....	£166

*Classification of Income according to individual Amount.*

As the Property Act charged all profit at its source, without regard to the subsequent destination of it, the total Incomes of the respective parties (excepting of those under £150 who claimed abatements of the Duty) were not known, the accounts do not therefore furnish the means of a satisfactory classification of Income according to individual amount; but it is conceived that it may be approximated by forming it from the classification of In-

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\* After taking the Incomes under Schedules A. B. and D. at their amounts in 1814, it seems unnecessary to aim at precision in estimating the reduced amounts under Schedules C. and E. It is very difficult to compute from the Public Accounts the probable amount chargeable to the Tax of the private Income derived from the various Public Stocks and Securities, or the chargeable amount of the Pay, Salaries, &c. of Public Employments. Though in the last year of the War, 1815, there was a considerable increase of the Funded Debt, and an extraordinary large payment of Interest on Government Bills, which raised the amount charged under Schedule C. for that year to upwards of £33 millions; yet, from the subsequent reduction of Interest on the Funded Debt, and the present comparatively small issue of Government Bills, a great diminution, as compared with that year (1815), must be assumed, and the amount now taken under Schedule C. appears on reference to the public accounts to be justifiable. It may seem that the amount of Income under Schedule E. in respect of Appointments and Offices under Government, has not been sufficiently reduced in the estimate; but it is to be considered, that although the number of persons discharged from the public service since the War is considerable, the major part of them are in receipt of retired pay or pensions amounting in general to more than half their former Income, and that the reduction is therefore not immediately so great as it may hereafter become; the Sum taken includes also Profits of Offices of a public nature not under Government.

come given in the accounts of the Income Tax of the year 1801. If the Income of the Country has, in consequence of depreciation of Agricultural Property, depression of Manufactures and Trade, change of Currency, or other causes, been diminished in real or in nominal amount so far as to have reverted to the state or amount of it at a distant former period, it may be more satisfactory to resort to accounts obtained of it so many years since for the basis of a classification of it.

Under the Income Act every person was charged by one assessment made on him for the whole of his Income from all sources, and though the aggregate amount of all the Incomes charged was more deficient than the aggregate amount charged under the Property Act, the relative proportions of the several classes will be assumed to have been nearly the same under both Acts. If that assumption be erroneous, the error will not occasion excess in the proportions estimated for the higher classees, for if Incomes had been assessed under the Income Act as near to their actual amount as they were assessed under the Property Act, and the sums assessed had been classed accordingly, the amounts in the higher classes would have been greater than they appear in the accounts, and the estimates now made therefrom would be proportionably increased in those classes.

The Total Income charged under the Income Act (1801) did not exceed £80,600,000; the total amount of Income estimated to be attainable for charge to a future Tax, after deducting Incomes exempted as not exceeding £50, also exemptions in behalf of Foreigners, Charities, &c. as shewn in the note,\* is taken

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\* In order to frame the Estimate in Classes, deductions must be made of that part of the Income contained in the Property Tax accounts which is not contained in the Income Tax accounts, as being charged under the former, though afterwards discharged, (being the mode of granting exemptions from the Property Tax,) and not chargeable or required to be accounted for under the latter. The following statement will shew the nature and amount of the deductions to be made, and the net Income after making the same.

at £153,000,000. Upon these two aggregate amounts the required classification of Income is made, and is as follows, viz.

Classes.	Total Amount of Classes in the Income Tax Accounts.	Estimated Amount of Classes of Income charge- able to a future Tax.
£50 and under £100 .....	£11,150,000 .....	£21,160,000
100 and under 150 .....	8,640,000 .....	16,400,000
150 and under 200 .....	5,820,000 .....	11,050,000
200 and under 500 .....	13,180,000 .....	25,010,000
500 and under 1000 .....	10,240,000 .....	19,440,000
1000 and under 2000 .....	9,370,000 .....	17,790,000
2000 and under 5000 .....	11,490,000 .....	21,820,000
5000 and upwards .....	10,710,000 .....	20,330,000
Total ..	£80,600,000	£153,000,000

## SCHEDULE A.

Gross Amount of Rent or Annual Value .....	<i>Millions.</i> £60½
DEDUCTIONS.	
For Land Tax, Drainage, &c. ....	<i>Millions.</i> £6
Rent or Value of Lands, &c. belonging to Charitable Institutions .....	£ ½
	1½
Net Amount chargeable ..	£58½

## SCHEDULE C.

Estimated Gross Amount of Dividends of Public Stocks, } Interest of Exchequer Bills, &c. ....	<i>Millions.</i> £29
DEDUCTIONS.	
In 1814.	<i>Millions.</i>
Total amount of Dividends, &c. ....	£30
Deduct Dividends payable to Charities, } Friendly Societies and Foreigners. ....	£1½ proportionate amt. 1½
Net Amount chargeable ..	£27½

The Income Tax Accounts do not contain any amount of Income less than £60, (the lowest amount chargeable to that Tax); the proportion of Income not exceeding £50, charged and afterwards discharged under the Property Act, was nearly £7 millions; this amount was principally under Schedules B. D. and E. a trifling part only of the Income less than £50 under the other Schedules (A. and C.) having been exempted; and as the whole amount of Income charged under all the Schedules, not exceeding £50, is not

*Total estimated Amount arranged in Divisions.*

	Sch. A. and C.	Sch. B. D. and E.
	Income derived from Property.	Income from other sources.
£50 and under £100 .....	£11,210,000 .....	£9,950,000
100 and under 150 .....	8,680,000 .....	7,720,000
150 and under 200 .....	5,850,000 .....	5,200,000
200 and under 500 .....	13,240,000 .....	11,770,000
500 and under 1000 .....	10,290,000 .....	9,150,000
1000 and under 2000 .....	9,420,000 .....	8,370,000
2000 and under 5000 .....	11,550,000 .....	10,270,000
5000 and upwards .....	10,760,000 .....	9,570,000
	<u>£81,000,000</u>	<u>£72,000,000</u>
	<u>Sc. A. &amp; C. 81,000,000</u>	
	<u>Total. . £153,000,000</u>	

stated in the accounts, the same is estimated at upwards of £10 millions, exclusive of the Wages of Mechanics, Laborers, &c. which, excepting a very small proportion charged to the Property Tax, are not included in either the Property Tax or the Income Tax accounts. After subtracting this amount of £10 millions and upwards, and the amount of the Income exempted as belonging to Charities and Foreigners, the total amount of Incomes exceeding £50 to be arranged in classes is £153 millions, as will appear by the following Summary.

Schedule	Millions.	SCHEDULES A. & C.	Millions.
A .....	£58½	Total Income.....	£86½
B .....	27½	Income not exceeding £50 .....	5½
C .....	27½		
D .....	37½	Total Net Income exceeding £50	£81
E ....	11½		
		SCHEDULES, B, D, & E.	
Total Net Income, after deducting		Total Income.....	£76½
Incomes exempted on Special	163½	Income not exceeding £50.....	4½
Grounds under Sch. A. & C.....			
Incomes not exceeding £50 .....	£10½	Total Income exceeding £50.....	£72
		Ditto Sch. A. & c.....	£81
Total Net Income exceeding £50 .	£153	Total Net chargeable Income ex- } ceeding £50 .....	£153

It is proposed to charge all Incomes of not less amount than £50, but as the proportion from that amount to £80, the lowest chargeable Income under the Income Act, cannot be estimated from the Income Tax accounts, the computation made therefrom for the lowest class, is necessarily less complete, than if that class had extended under both Acts to the same limits.



The total amount of the two lowest chargeable classes, £50 and under £100 and £100 and under £150, under Schedules B. D. and E. as estimated from the Income Tax Accounts, is £17½ millions, and the total amount of the Income of those classes stated in the Property Tax Accounts is £18½ millions; the latter includes a small proportion of Income exempted under Schedules A. and C., also of the amount deducted for subsequent diminution under Schedule C., which being subtracted, the amount estimated from the Income Tax Accounts would nearly correspond with it.\*

\* The total amount of the several classes of Income exceeding £50 and under £150, may also be estimated from an account which shews the allowances of duty granted under the Property Act to Income of those classes under Schedules B. D. and E., exclusive of Public Offices under Government. The allowances of Duty were granted at the rate of 1s. for every 20s. by which the total Income from all Sources was less than £150.

Classes.		Total Amount of Allowance of Duties.	Rate of Allowances.		Computed Income of each Class.
£	£	£	Shillings.	Shillings.	£
50 and under 60		266,352	100 and under 90		3,084,075
60 .....	70	115,171	90 .....	80	1,761,438
70 .....	80	96,666	80 .....	70	1,933,320
80 .....	90	60,484	70 .....	60	1,581,869
90 .....	100	60,116	60 .....	50	2,076,734
100 .....	110	29,964	50 .....	40	1,398,320
110 .....	120	22,051	40 .....	30	1,449,065
120 .....	130	12,199	30 .....	20	1,219,900
130 .....	140	6,930	20 .....	10	1,247,400
140 .....	150	2,409	10 and under		1,397,220
		672,342			17,149,361

### Rule of Computation.

Mean Rate of Allowance.	Mean Income.	Total Amount of Allowance.	Income.
Shillings.	£	£	£
95 ..	55 ..	266,352 ..	3,084,075
	&c.	&c.	
According to the above Computation.		Estimate from Income Tax Accounts.	Amount in Property Tax Accounts
Total Amount of Income of £50 and under £100 .....		Sch. B. D. & E.	Excluding the estimated Proportions under Sch. A. & C. above mentioned.
10,437,456		£9,950,000	
Total Amount of Income of £100 and under £150 .....		7,720,000	
6,711,905			
Total .. £17,149,361†		£17,670,000	Millions. 17½

† If the proportion of Income from Government Offices of £50 and under £150, were added to this amount, it would more nearly correspond with the other two aggregate amounts.

The only Account of Profit or Income in classes under the Property Act is of the amount under Schedule D., but as it classes the sums according to the amount of the Profits under that Schedule only, and not according to the aggregate amount of the Incomes of the Parties from all sources, and as the Returns under that Schedule were more deficient in amount than under the other Schedules, it is not considered safe for an estimate in classes of the total Income from all sources. A classification of the total estimated Income having however been formed by computing the amount in the proportions given under Schedule D. for the sake of comparing it with the other classification, it is offered, and appears as follows:

	Amount of Profits under Schedule D.	Amount of Income under all the Schedules, esti- mated on the Proportions under Schedule D.	Estimated Amount as formed from the Income Tax Accounts.
£50 and under £100	£7,361,000	£32,400,000	£21,160,000
100 and under 150	3,482,000	15,320,000	16,400,000
150 and under 200	1,800,090	7,920,000	11,050,000
200 and under 500	5,670,000	24,950,000	25,010,000
500 and under 1000	3,750,000	16,510,000	19,440,000
1000 and under 2000	3,243,000	14,270,000	17,790,000
2000 and under 5000	3,850,000	16,940,000	21,820,000
5000 and upwards	5,610,000	24,690,000	20,330,000
	<u>£34,766,000</u>	<u>£153,000,000</u>	<u>£153,000,000</u>
Not exceeding £50..	3,034,000		
Total..	£37,8000,000		
£50 and under £200	£55,640,000	£48,610,000	
200 and under 2000	55,730,000	62,240,000	
2000 and upwards	41,630,000	42,150,000	
Total..	£153,000,000	£153,000,000	

The two Estimates correspond as nearly as may be expected, the most material difference is in the lowest class, viz. £50. and under £100. On this difference it may be observed, that if the sums chargeable under Schedule D. of the late Property Tax had been more fully returned, and had also been classed according to the

total Incomes of the Parties from all sources, a great proportion of the Profits appearing in the lowest class would have been transferred into higher classes. The greater comparative amount in the highest class £5000 and upwards, is attributable to the large returns under Schedule D. of some public Corporations and Companies, which, if the same had been classed according to the respective shares of the Proprietors, would have been divided among the lower classes. If the excesses of the two extreme classes were duly apportioned among the intervening classes, the two estimates would correspond more nearly in every class.

As it is proved by the Property Tax Accounts that the estimate made from the Income Tax Accounts gives a near approximation to the total amount of Income of the two lowest classes charged to the Property Tax, it follows that the *total* amount of the Income of the middle and highest classes is as nearly approximated by it; and it is presumed, as the estimate is thus confirmed where the Property Tax Accounts afford the means of trying the accuracy of it, that it may be more confidently relied on where such means in the latter are wanting.

Estimates of the Gross amount of Duty distinguished in Classes and computed according to graduated Rates of Charge, which are founded on the foregoing Divisions and Classifications of Income, have been prepared and are inserted in the Appendix.

Though it is not to be expected that the classification of any particular source of Income taken separately will correspond with the classification of Income from all sources taken aggregately, yet, where means are afforded, further trial may be made for the sake of the comparison. The following account of the Bank of England is resorted to as admitting of a classification of that part of the Income under Schedule C. which consists of the Dividends payable at the Bank.

*Number of Dividends payable at the Bank of England on the  
10th October, 1829, and 5th January, 1830.*

		Number of Dividends.
Not exceeding £5	.....	83,609
10	.....	42,227
50	.....	97,307
100	.....	26,316
200	.....	15,209
300	.....	4,912
500	.....	3,077
1000	.....	1,555
2000	.....	450
exceeding 2000	.....	161
Total..		<u>274,823</u>

The preceding account admits of the following classification of the *Yearly* Amounts of the Dividends, presuming that the Bank account gives the Rate of the *Half-yearly* Dividend of each Class, and that the numbers of Dividends of the Classes for the Half-years ending 5th April and 5th July 1830 respectively were the same as for the two preceding Half-years.

		Yearly Dividend.	Mean Dividend.	Total Amount of Dividends.
Not exceeding	....	£10 ....	£5 ....	£418,045
£10 and not exceeding	20 ....		15 ....	633,405
20	.....	100 ....	60 ....	5,838,420
100	.....	200 ....	150 ....	3,947,400
200	...	400 ....	300 ....	4,562,700
400	.....	600 ....	500 ....	2,456,000
600	.....	1000 ....	800 ....	2,461,600
1000	.....	2000 ....	1500 ....	2,332,500
2000	.....	4000 ....	3000 ....	1,350,000
exceeding.....	4000 ....	10,000 ....		1,610,000
Total..				<u>£25,610,070</u>

As the computation approximates in total amount to the sum of the Dividends of Stock paid to the public Creditors within the year in which the Bank Account was made up, it may be presumed to shew nearly the proportions of the different classes. The following is a comparison of it with a classification made of the same total amount classed according to the proportions in the Income Tax Accounts, with a view to shew the probable classification of it when taken in conjunction with the other parts of the Incomes of the Individuals receiving it.

	According to Bank Account.	According to Income Tax Accounts.
Under £100 .....	£6,889,870	£3,515,507
£100 and under 200 .....	3,947,400	4,621,895
200 and under 1000 .....	9,480,300	7,441,533
1000 and under 2000 .....	2,332,500	2,977,248
2000 and upwards .....	2,960,000	7,053,887
	<u>£25,610,070</u>	<u>£25,610,070</u>

If the Dividends in the Bank Account were classed according to the aggregate Incomes of the Parties from all sources, the result might approximate the other classification. In the foregoing classification made from the account under Schedule D. of the Property Tax the amount of the highest class considerably exceeds, for the reason there assigned, the amount of the corresponding class of the general classification made from the Income Tax Accounts; in the above classification under Schedule C. the highest class falls considerably short of it, the cause of which may be that the Property of many of the largest Fundholders being in various Stocks, and the Dividends payable on them respectively not being aggregated in the Bank account, they are in that account inserted among classes inferior to that into which the aggregate amount thereof would bring them.

*Observations on the Justice and expediency of a Graduated Scale of Charge.*

The consideration of extending to the middle and higher Classes of Income the graduated Scale of Charge is suggested on a sup-

position that the principle of it is most equitable, and should be acted upon to the utmost possible extent. The simplification of proceedings and avoidance of the multiplicity of them appear as desiderata opposed to a graduated Scale of Charge; justice may be in favor of it; whether it can be carried into effect so as to be fully as just in operation as it may be in principle and design, and also without such a system of procedure as will raise objections to it greater than the justice of it could reconcile, may be the points for consideration; but as during the late Tax, when one-ninth only of the whole Income which contributed to it was charged below the maximum rate of 10 per Cent., there appeared a general strong desire for an extension of the graduated Scale, and for a wider distinction between Incomes of different descriptions, it may be wished that some modifications in those respects of the former measure should be considered, though perhaps, for the satisfaction only of more decidedly ascertaining the impracticability or the inexpediency of them.

It has been argued against a general rate of charge that the deduction which it makes from inferior Incomes occasions a deprivation of the necessities of life, while the deduction from large Incomes deprives of luxuries only, or of such conveniences or enjoyments as can be spared without so much personal distress and suffering as the want of absolute necessities occasions. It is alleged against the graduated Scale of Charge that the greater ratio of deduction which it makes from large Incomes lessens proportionably that expenditure of the higher Classes by which inferior Incomes are in a great degree created and maintained; also that it is not just that a large Income should pay at a higher ratio to a Tax than for any other part of its expenditure, that the proportionate amount of Tax which a general rate of charge takes from a large Income is all which justice or policy demand. The question in principle may be whether all Incomes should after Taxation bear the same relative proportion to each other as before Taxation, which is the effect of a general rate of charge, or whether the higher Incomes should after Taxation bear to lower Incomes a less relative proportion than before Taxation, which is the effect of a graduated Scale of Charge. As the graduated Scale of Charge and the ge-

neral Rate of Charge affect the middle classes of Income in nearly the same degree, the question becomes whether the lower Classes should be eased at the expence of the higher Classes. It might perhaps partly depend on the difference of the effects which the abolition of the present Taxes would produce on the respective Classes. If the lower classes of Income contribute to the present Taxes more than the higher classes in proportion to their respective amounts of Incomes, then as the abolition of those Taxes would bring to the lower Classes the greatest proportion of relief, and a substituted Income Tax, if imposed in lieu of them at the same general rate on all Classes, would have the effect of increasing Taxation on the higher Classes of Income, it might be unjust to the latter to charge them in a still greater ratio by a graduated Scale to that Tax, but if the higher classes of Income contribute more than the lower Classes to the present Taxes in proportion to their amounts, then, as the former would obtain the greatest proportion of relief from the abolition of them, it might be right they should continue to bear the greater degree of Taxation which a graduated Scale of Income Tax would impose on them. The graduated Scale of Charge, though it might have been most just and appropriate on the first imposition of an Income Tax if that Tax had from the commencement of Taxation been the sole or principal means of raising the Revenue, might not be so after other and different means of raising Taxation had for a very long course of time prevailed and the diffusion of its burthen among the various Classes, in proportions different from those which a graduated Income Tax would have effected, had been so long settled and fixed.

It might appear that there would be a stronger justice in and necessity for a graduated Scale in case that the individual amounts of Incomes derived from the Revenue became much greater in proportion to those of other Incomes—that is, in case that the General Income of the Country declined from other causes than Taxation, and that the total Amount of Taxation and the respective numbers of the Tax Payers and Tax Receivers remained the same. If the same general rate of charge were imposed on Incomes of all descriptions and amounts, the proportion which Incomes derived from the Revenue bore to the other Incomes would not be changed by Taxation, but in case the Incomes of the Agricultural, Trade Classes, &c.

were reduced by other causes, while the Incomes of the Revenue Classes continued undiminished, it might seem just that Taxation should alter the proportions in favor of the former, and this alteration would be effected by the graduated Scale.\* If the graduated Scale were not under these circumstances adopted, then the Agricultural and Trading Classes, &c. could relieve themselves only by such increase of Prices as the excessive proportion of the general Income transferred to the Revenue Classes would enable those Classes to meet, and in that less prompt and perhaps less expedient manner the latter might in effect make good any deficiency in their contributions to the Tax. The more effectual operation of an Income Tax on Revenue Incomes, in the impossibility of their escape therefrom in any degree, should however not be lost sight of.

On a comparison of the Scale graduated according to the Amount of Income and extended to the highest Classes with the plan of a general rate of charge, the effect might be, if the whole Public Revenue were raised by an Income Tax, that about £6 millions† would be shifted from the lower classes to the highest classes of Income, but the real saving or gain to the former and the real loss to the latter might ultimately be far from that amount; the principle which recommends a graduated Scale may shew itself fallacious in practice, it may be less fair in result than it may appear in theory; if the Tax should when first imposed bear with undue partiality on some Incomes, there will arise indirect effects which will in time level such inequality in a great degree, particularly where Incomes are not fixed, it may therefore be less material whether the graduated Scale be adopted or not if the measure be rendered permanent; fixed Incomes seem to hold a strong claim to abatement as having no means of relieving themselves, but if it were granted to them exclusively, it should probably be limited to such Incomes as are fixed at the time of the imposition of the Tax; if no distinction were made in favor of fixed Incomes commencing after the Tax had commenced, due regard could be had to that circumstance by all parties in their future engagements, as in cases of new Leases of Lands and of

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\*† Vide Estimates under subsequent Heads, illustrating the probable effects.



other obligatory contracts for payment of fixed annual amounts, a general rate of charge would not then operate partially or hardly, and it may therefore not be expedient to provide any modifications of the general rate of charge beyond the period when new engagements will take place.

The late Property Act did not perhaps extend relief sufficiently in confining abatements in favor of fixed Incomes to Annuities charged by Will or Deed on Property over which the Annuitants had no control, and also in limiting the relief to Incomes connected with Labor to those cases where the aggregate Incomes of the parties did not exceed £150. The late Act proceeded on the principle that it was just and expedient to make distinction in favor of Incomes, but more particularly inferior Incomes, derived wholly or principally from bodily or mental labor, and it did not deviate from that principle but on special grounds. The following observations appear on the subject in the Introduction to the Official Guide to the Act 46 Geo. 3. " Considerable alleviation is given to those of small Income who " derive any part of it from personal Labor, and in one instance " where it is not derived from personal Labor, viz. an Annuity " charged on the Profit of another, over which property the An- " nuitant has no control, and who can under no circumstances " improve it. Great allowances are also made to those who " carry on hazardous concerns in Trade, by enabling them to " make deductions not allowed in other cases. Indeed the whole " tenor of the Act shews the indulgence given to the more labo- " rious classes. When the necessities of Government require so " large a contribution from the annual Profits, it was wise to " poise the sale in favor of Labor, and of that activity which is " employed in the support of a family, or the acquirement of a " future subsistence in the event of misfortune or bodily infirmity. " Hence it is that on all Property the same rate of Duty is ex- " acted. The Yeoman of £100 and the Cottager of £5 per " annum pay the same rate of Duty as the person of larger pro- " perty. The same rule obtains in all cases of Funded Pro- " perty, on all Mortgages and Debts of every kind bearing an- " nual Interest; but for that Property which is acquired within " the year by Labor, whether of the head or hand, as in the case

“ of Farmers, Traders, in Professions, in Employments by re-  
 “ tainer, in Offices Civil and Ecclesiastic, an allowance is granted,  
 “ gradually increasing as the whole Income departs from £150  
 “ per annum till it arrives at £50, when a total Exemption takes  
 “ place from those Duties, still leaving the Duty charged on  
 “ Property in full force.

“ Charitable Institutions are also wholly exempted from the  
 “ Duty on their landed and funded Property ; but with these ex-  
 “ ceptions, Property and Profits of every description are charged  
 “ according to its stability and the interest there is in the te-  
 “ nure.”\*

Of the “ Justice and Policy of the regulations of the Tax,” (of which a conviction is expressed with the foregoing observations) there may be much difference of opinion, but the error, on whichever side it lays, may arise not from any indisposition to what is most just and fair, but from mistaking the proper mode of effecting it, and in not foreseeing future consequences correctly or sufficiently. Error may arise in looking more to the present and immediate than to the ultimate consequences. Whether it be just or not, in principle, that in Taxation the rich should be burthened and the poor be spared, that the larger the Income the higher the ratio at which Taxation should be exacted from it, the main consideration may be whether the poor will in the end be benefited by carrying such a principle into practice : and whether if the inferior Classes derived at first an advantage at the expence of the superior Classes they would continue to enjoy it ; if they would not, then it may be doubted, if a consequence will not naturally follow from, or endure under regulations *intended* to produce and continue it, whether there is either wisdom or justice in them—popular notions may have been opposed to the general rate of charge of the late Property Tax, the graduated Scale may have been a favorite theory, but as experience often shews the fallacy of theory, so it might happen if the scale of the late Tax were widely departed from in a future Tax, there would be great disappoint-

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\* Other allowed exceptions might have been here noticed, viz. the Funded Property of Foreigners and Interest payable to them out of the Profits of Trade; also Cottages not exceeding 40s. occupied by the Owners, if their Incomes did not exceed £50.

ment in the result. If it be alleged on one side, under some abstract opinion of what appears most just, that the graduated Scale is the only right principle of charge it may be answered on the other side, that the right principle is in that mode of charge only which in practice will be found most generally beneficial, that mode which in the end will realize most for the public good, or, as it may more properly be observed in speaking of Taxation, that which will inflict the least ultimate injury on the Public in general.

Without entering further into the arguments on the question, it will be observed, that after weighing all the reasons which can be adduced on either side, it must probably be determined not altogether by a consideration of which mode is most just in principle, but partly of which is most practicable and unobjectionable in its procedure, or of the degree to which each mode will be able to carry its principle into effect. Whether it be most just that Incomes should be charged at rates increasing as the amount of Incomes increases, or that all Incomes should be charged at one and the same general rate, it may be apprehended that the graduated scale of charge might render evasion more practicable and easy, and as those who would evade might do so in various degrees, its effect might be attended with much of that improper disproportion in individual contributions which its intention would be to prevent; that though the graduated Scale may be most equitable in theory, yet, if on one hand, it offers temptation and facility to fraud in the operation of it, the obstacles to raising the Tax effectually upon the principle of it may be great; more extensive disclosure of private circumstances may be necessary, proceedings may be multiplied by the more numerous claims and appeals necessary to be decided, the discontent and other feelings occasioned by the rejection of unsubstantiated claims, and by the detection of attempted evasions under a graduated Scale, may be important enough to be weighed against the satisfaction arising on the other hand, from allowances and relief obtained under such a Scale where they might be equitably as well as legally claimed. If Profits of Trade and Profession cannot be so fully attained for charge as other Incomes can be, the inequality of charge occasioned thereby will be increased by a graduated Scale, not only in as far as the Tax on the

Trade Profits taken distinctly would be deficient, but in cases of mixed Income, if the Tax were defectively charged on the Trade part, it would be so on the other part, for as the aggregate of the two would be consequently deficient, both would be brought into a lower rate of charge than according to their true total amount they would be legally chargeable to. It may however be due to a graduated Scale to qualify in some degree the apprehension here expressed as to the difficulties in the procedure and to the danger of evasion attending it. Though there is the temptation under a graduated Scale to make defective returns for the sake of bringing them into a lower rate of charge, yet it may happen in many cases that it will be, on the contrary, an encouragement to fair Returns, for a person may be induced to return a larger sum of Profit, knowing that it will be charged at the abated rate of a graduated Scale than he would return if assessable at the higher amount of a general rate of charge, particularly if he were not satisfied of the justice of a general rate of charge; In most cases where Returns must be made, in order to ascertain the proper amount of charge, the Assessment and Collection may be effected in as easy and unobjectionable a manner under a graduated Scale as under a general Rate of Charge, and the proceedings would not be multiplied by the graduated Scale; troublesome proceedings, and exposure of circumstances, if unavoidable under a graduated Scale, would be confined mostly to cases of mixed Incomes and where Returns would not have been required if they had not been necessary to substantiate claims for abatements; but it is conceived, that these cases would form the smallest, and not a very considerable proportion of the whole number of Incomes chargeable. As mixed Incomes generally consist in part of Rents of Lands or Interest in Public Securities, there would be easy means of detecting evasions without resorting, in those cases, to procedure of an obnoxious nature with the Parties.

*On the Practicability and on the Mode of carrying into Effect the Graduated Scale of Charge extended to the highest Classes of Income.*

Though it should be decided to establish distinctions in the rates of charge on different Incomes, both according to the amount and according to the description of them, it might nevertheless be necessary that every Income or Part of an Income should be declared liable to charge at the maximum rate of charge affixed to the highest class of the Division to which it should belong, and that in order to obtain the abated rates of charge, claims should be made by the Parties to the Commissioners; and that in cases of Persons possessing Income in both Divisions, or under more than one Schedule, the Income in each Division, or under each Schedule, should be charged according to the aggregate amount of the Income of the Parties in both Divisions.

The consideration may be whether the graduated Scale of Charge can be carried into effect, in respect of Incomes of the higher classes and of whatever description, by means similar to those provided by the Rules of the late Property Act with respect to Incomes less than £150 derived from sources connected with Labor and Industry, and whether any such modifications should and could be made of those Rules as would render the operation of them upon that extended scale unobjectionable. Under that Act, Persons with Incomes of such amount as to entitle them to allowances or abatements from the maximum rate of Duty could not obtain the same without stating in their claims to the Commissioners the amount and particulars of their Incomes from every source, and the amount of any annual payments reserved or charged thereon whereby the Incomes were diminished; the Commissioners were empowered to investigate the particulars of the claims upon appeal, subject to powers and regulations as other appeals were determined by, and if the claims were proved, to grant the allowances which the Parties were entitled to, either wholly out of the Duty charged on one source, if sufficient, or

partly out of that and partly by Transfer Certificates out of the Duty charged on other sources and in other places.

Those provisions of the Act were not extended beyond the lower classes of Income connected with Labor, probably under the apprehension that the Produce of the Duty would have been too seriously affected, or that the Rules, if applied to the middle and higher classes of Income, which are derived from various sources and places more generally than the lower classes of Income, would have been attended with an inconvenient and obnoxious operation. How far the former effect would take place may be conceived from the Estimates in this Work of the produce of Duty, under various graduated Scales of charge.\* With respect to the latter ground of apprehension, it must be premised that a modification of the mode of proceeding under the late Act, with a view to its extension in an unobjectionable manner to all Incomes, must be offered less with any confidence that it will be practicable or successful to the desired extent than for the purpose of bringing forward the difficulty in such a shape as shall better assist in the consideration of it. Suppose then with that intention it be suggested, that in order to render the disclosure and investigation of circumstances as limited as possible, no Person entitled to be assessed at an abated rate in respect of his Income, the Duty on which is to be charged on and paid by himself personally, and which arises from different sources and in different places, shall in his claim in respect of his Income at either place, be required to state the particulars of the other parts of his Income, but he shall declare only the total amount of it, in order to decide at what abated rate each part shall be assessed. That he should however state the amount of any payments to others with which his Income or Property is charged, in order that he may remain charged at the maximum rate in respect of that part. In cases where the Duty would be contributed by way of deduction, that is without any assessment on the Contributor personally, he receiving his Income out of Property or Profits, the Duty on which has been charged at the maximum rate on the Person in possession or oc-

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\* Vide Appendix.

cupation thereof, the Party should make his claim in like manner to the Commissioners of the District in which he resided, (or if resident abroad his Trustees or Agent should make it in his behalf,) and receive from the Commissioners a certificate of the amount of abatement or allowance of Duty which he might be entitled to in respect of his whole Income, to be delivered to the Person paying his Income, who, after making the deduction of Duty short of the allowance certified, would produce the Certificate in discharge of so much of the Duty charged upon himself as the said allowance might amount to. Certificates of this nature might be made available at the Bank of England or other Departments, where deduction of Duty would be made from Dividends, Annuities, or other Payments; the proceedings might be there regulated by Commissioners and Officers, appointed from those Departments, as under the late Property Act for the purposes of that Act.

If the District Commissioners should be dissatisfied with the claims of any Party, they should be empowered to call on him to revise it, and if he declined to do so, then to make oath to the truth of it, affording him such explanation of the Rules for his guidance in making his claim as might appear necessary, but no disclosure of or examination into his affairs in general should be admitted, and no further demand on the Party should be made than the requisition of a revisal or of the oath, and the Commissioners should be bound to accept the claim after being so revised or sworn to.

Questions of a general nature, for the purpose of ascertaining whether the Rules of the Act in making up the claim had been abided by, might be admissible: and to secure the object of them the Party might be required to answer them on oath or to swear in general terms that he had conformed strictly to those Rules.

If more convenient to the Party he might elect to receive the total allowance or abatement to which he would be entitled on his whole Income out of the Assessment on his Income at one place only, but in that case he must produce Certificates from the Commissioners of the other place or places that they had charged the part or parts of his Income arising there without any abatement.

Notwithstanding these restrictions, if any claimant should prefer or be willing to make a full disclosure of his circumstances

in order to establish his claim more satisfactorily, (and doubtless many would prefer that open course of proceeding,) the Commissioners should be empowered to receive it and act upon it in that manner.

Referees proposed by the Parties and approved by the Commissioners might be empowered to ascertain the amount of aggregate Income, either according to the Rules of the Act, or to require all particulars of information which they might deem necessary, and the Commissioners in fixing the rates of Charge or in granting Abatements or Allowances should abide by the decision of the Referees.

If it should be considered that by allowing so much concealment and restricting all investigation in ascertaining the aggregates of Incomes from different sources, greater concession would be made to the convenience and feelings of Persons interested than the nature or necessity of their cases in general required, and that the abuses of mild provisions would be to such extent that not only the Revenue would be too much endangered but the important object of preventing those unjust disproportions of contribution, which the reasons in favor of a graduated Scale would attribute to the effect of a general Rate of Charge, might in a great measure be defeated, the Rules could be less indulgently modified, greater disclosure of circumstances might be required, and investigation might be made nearly in the manner authorized by the late Act, excepting that the Crown Officers should not interfere, or if their interference were allowed, they should themselves derive no direct advantage whatever from its result, and that such powers should not extend to those parts of mixed Incomes which arose from Trade, &c. (if the restrictions from investigation as before proposed in the proceedings to charge Profits of Trade distinctly be admitted) and the *Amount* only of those Profits should be stated in the Claims, without subjecting the Party to any proceedings not authorized by the specific rules laid down in respect of Returns of such Profits. As the claims according to the rules and powers of investigation so enlarged would state not only the Amount and Description of Income, but, among other particulars, in what other Districts or Places the Property was situate or the Income accrued, the Commissioners if dissatisfied with any part of the claims, would in most



instances be able to obtain all the necessary information by inquiries to be conducted in an unexceptionable manner through official channels, without resorting to any unpleasant proceedings with the claimants personally, the Claims being delivered in writing, on forms to be provided for the purpose, and, if desirable, sealed up under cover to the Commissioners. Sufficient information being obtained on the occasion of the first claim, no inquiries or other proceedings would be necessary on future claims, unless any material change in the circumstances of the claimant should take place, and not in that case. If the disclosure of them, as appearing from the variation of particulars in the claim delivered in, should be considered to be fairly made. In numerous instances of persons possessing Income from more than one source, though arising in different Parishes, if those Parishes should lie in one District, the whole would come under the cognizance of the same Commissioners, by whom, all necessary particulars being known to them, the claims would be easily settled, and it is not conceived that many cases would arise in which from the great dispersion or variety of Income much, if any, trouble or difficulty would, after the first settlement, be experienced in substantiating the claims.

The course of proceeding to be adopted with respect to Incomes arising in different Districts for the purpose of ascertaining the aggregate amount as the basis of the Assessment in each, might be made similar to the proceeding authorised by the Income Act of 1799, in respect of Incomes derived partly from Trade and partly from other sources. In cases where one set of Commissioners considered it necessary, in order to ascertain the Income of Parties in other Districts, or where the Parties themselves applied to those Commissioners in order to obtain Allowances they were entitled to in respect of their whole Income, the said Commissioners transmitted inquiries to the Commissioners of the other Districts; the last mentioned Commissioners having ascertained and settled the charge upon the Income laid before them, transmitted Certificates to the Commissioners making the inquiries, with whom the said Certificates were final and conclusive as to the Income contained therein, and who received them as the basis of their Assessment, Proceedings of this nature should however be subject

to any restrictions as to investigation in cases of Profits from Trade, &c.

The danger of abuse of a temperate and gentle system might however require that there should be some power to prevent or check wilful and gross frauds, such, in cases of mixed Incomes, as the total concealment of any one source of Income for the purpose of obtaining an undue abatement of the Tax on the whole amount or on any part. If it should be discovered that any Person in his claim to be charged at an abated rate had fraudulently omitted, for instance, the Rent of any Land, or his Dividend in the Funds, in order to bring the remaining Income into a lower Scale of Charge, the Commissioners might be authorized to assess him in such over-plus of Duty by way of Penalty, not exceeding a certain limit, as the extent of the attempted evasion might require. It is conceived that for the very important object of maintaining a mild plan of procedure which too much abuse of it would frustrate, there would not be objection to a reserved power of this nature, to be exercised in cases of palpable evasions which admit of indisputable proof, particularly as it would be lodged with those only who in the execution of duties which they perform gratuitously are ever indisposed to any unnecessary harshness towards individuals in proceedings of a penal nature. The knowledge that a power of this kind existed would prevent the attempt of frauds.

Attention is requested to more modified Plans of Charge on graduated Scales offered for consideration under a subsequent head,\* by which some of the troublesome or objectionable procedure which might arise from the plan of charge contemplated in the foregoing observations would be avoided, particularly in cases of mixed Incomes.

*Observations on the Graduated Scales of Charge as prepared in this Work.†*

The Estimates submitted in this Work of the Gross Produce of an Income Tax at graduated Rates of Charge extended to the highest

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\* Containing a Recital of the different Plans of Charge proposed in this Work.

† Vide Appendix.

classes of Income, consist of several Scales, varying in amount according to the series of Rates affixed to them respectively. By the lowest scale, the estimated Net Produce, after deducting charges of management, &c. amounts to somewhat more than the Produce of the late Property Tax, and the estimated Net Produce under the highest scale, rather exceeds the average Annual Amount of present Revenue.

It may be considered impossible to carry into effect an Income Tax upon the highest proposed Scale, and the contemplation of it may be treated as visionary, but regarding an Income Tax not as an addition to, but as a substitute for other Taxes, it may be observed that the practicability of an Income Tax to a great extent having been proved, its practicability to any greater extent stands on the ground that, if it be in its principle more just and in its general operation and effects superior to the present mode of Taxation, any amount whatever of Revenue may be raised by an Income Tax with less detriment or inconvenience to the resources in general of the Country than if raised by the existing Taxes, but whether an Income Tax to the extreme extent to which the Estimates of its produce prepared in this Work are carried, may be, or it should not be, seriously contemplated as a probable or possible event, some view of the bearings of it, extended to that degree, on the various descriptions and classes of Income may be desirable, and therefore, whether in carrying an Estimate so far it is to be considered, as though wholly speculative, yet as satisfactorily exhibiting the probable numerical results of the measure if it were pushed to that extreme, there is some inducement to offer it to attention. The Writer is, however, anxious to be understood, not as seriously proposing the immediate imposition of an Income Tax to the full extent of the Public Revenue, nor if ever carried to that or to any very high extent, as contemplating any other than a *gradual* arrival at it from Scale to Scale, & as it may be deemed expedient to substitute it in an increased degree for other Taxes.

To whatever extent an Income Tax may be carried, it would be very desirable to establish such a Scale of Charges as should take from each class and description of Income its due proportion, and should leave the several Possessors, relatively, in their previous situ-

ations, or alter their relative situations in any degree, in consideration that under the present system of Taxation some classes of Persons or sources of Income are partially burthened. Though it may be alleged in answer to any objection to the Scales of Charges herein offered that they are merely specimens, deduced from materials supplied by former measures, from which the probable results of any other series of Rates or other modes of charge more expedient or feasible can also be deduced, yet it is submitted that the Rates of Charge set forth in the Scales of the Series marked A. progressively increase from the lowest to the highest class in each division of Income, in a fair ratio, the Rates fixed to the lower classes appearing as moderate as can reasonably be imposed, and the Rates fixed to the highest classes, being it is conceived, as great as in due proportion they ought to bear. It may not, however, on various considerations, be right to fix such a great disproportion between the highest and lowest classes as proposed by this Series, other Scales are therefore prepared (Series B.) exhibiting less disproportions by decreasing the rates, as compared with those in Series A. from the highest class and increasing them from the lowest class, to the middle class of each division of Income; the total amount of Duty estimated in each Scale of the Series B. will be found very nearly the same as in its corresponding Scale of the Series A.

It may seem that sufficient distinction is not proposed between Income derived from Property and Income derived from other sources, but as the greatest part of the Income derived from other sources as charged to the late Property Tax was more deficient of the actual amount than the Income derived from Property, it is suggested, that unless returns of both descriptions of Income be obtained in more due proportion to each other, a greater distinction in the Rates cannot justly be allowed. It may however be observed, that the distinction is less in the higher than in the lower and middle classes, that it gradually increases in descending from the highest class, and this may be consonant with the reason for which any distinction whatever should be made, as it is presumed that the Profits of the higher classes of the division under the denomination of Income derived from other sources (Schedules B.



and D.) arise from Capital in a much greater degree than the Profits of the lower classes, which are derived wholly or principally from Labor, and as much of this Capital and many of the Trades or Concerns in which it is employed are of a permanent nature, and are transferable to descendants and others, like Landed or Funded Property, the large Incomes derived from them may be taxed at nearly the same rates as those affixed to Income derived from absolute property.

To make any species of Income liable to higher Rates of Charge on the ground of expected or practicable evasion may be acting on an objectionable principle, and appear an encouragement to or sanction of evasion; but giving such objection every weight, the protection justly due to Income derived from Property, contributing to the full, or much more nearly to the full amount than Income from other sources, may render it an indispensable alternative.

Until the consequences of so great a change in the system of Revenue as the substitution of an Income Tax for the whole or the greatest part of the present Taxes would create should in their ultimate and settled state have been ascertained, it might be difficult to decide any question of excess or inequality in the Rates of Charge on any particular Classes, or the extent of it; the relief from the abolition of old Taxes might not at once be proportionate to the burthen of the substituted Tax, and the consequences felt immediately on the commencement of the change might not be permanent, there might be indirect as well as direct effects which time only would bring fully to maturity; it may be apprehended that there would be great excess in the Rates of charge on the highest class of Income under the two highest proposed Scales (Series A.) under which in one division (Schedules A. and C.) the Rates of Charge proposed are 45 and 50 per Cent. and in the other division (Sch. B. D. and E.) they are 40 and 45 per Cent.; the direct exaction of one half or nearly one half of individual Income may seem too enormous to be contemplated, but as on the adoption of either of those extreme Scales the whole of the present Taxation may be presumed to be abolished, and under the highest of them there would remain several millions

sterling of real surplus Revenue, applicable to the reduction of the Public Debt, there must be fully considered the saving of the vast accumulation of expence to which the present Taxes, part directly, but much more indirectly, operating through every channel, subject the expenditnre of large Incomes of that class, bearing on them perhaps to an extent greater in proportion than on lower classes of Incomes, though not attended with so much personal distress and inconvenience to the possessors. Although the precise extent of such saving cannot be satisfactorily calculated, it may be conceived to be such as to justify a comparison even with the great deduction which the highest of the two proposed Scales would make from those Incomes. To pursue the distinction between different classes or descriptions of Income so far as to subject any Income whatever to such a rate of direct Taxation as in this case would be imposed would not be unjust if the amount were no more than its fair proportion of the whole Tax; in that case, wherever the relief from the abolition of all other Taxes were equal to the sum imposed by such extreme rate, there would be no additional burthen, and where that relief from other Taxes were not equal to the sum imposed by the Income Tax, it would only follow that more of the burthen had been imposed where justly it ought to be borne.

It may be conceived that such large proportions of the general Income would not be found among the higher classes as the Estimates prepared hold out, and that the Duty would fall short of the amount calculated to be obtained from those classes, that therefore any required amount of produce could not be raised without imposing on the lower and middle classes charges greater in comparison with those on the higher classes than are proposed. Should the produce of Duty be deficient from such a cause, that necessity would not follow. In order to make up any deficiency of produce arising from any aggregate amount of Income among the lower and middle classes not being so productive of Duty as the same amount would be among the higher classes, a higher graduated Scale of Charges throughout all Classes should be resorted to, by which the Rates might be so increased in *every* class that the lower and middle classes would continue charged at the same

degree of comparative inferiority; the conclusion is, that the larger the proportion of the whole Income found among the lower classes, the higher must be the graduated Scale of Charge resorted to, and all classes must be charged at greater Rates, and the larger the proportion of the whole Income divided among the higher classes, the lower will be the graduated Scale of Charge on all classes.

Whether the graduated Scale of Charge were extended to the higher Classes of Income or not—it is conceived that it must be admitted in favor of the lowest Classes.

The graduated Scale of Charge on small Incomes was more favorable to them under the Income Act (1799) and the first Property Act (1803) than under the last Property Act (1806); it was under each as follows: (doubling the Rates and Duties under the Act of 1803, the maximum rate of which was 5 per Cent. only, for the sake of the comparison)

<i>Income Act.</i> 1799.			<i>First Property Act.</i> 1803.			<i>Last Property Act.</i> 1806.		
Income.	Rate.	Duty.	Rate.		Duty.	Rate.		Duty.
51.....	Exempt.....		.....	Exempt.....				0 3 0
60	$\frac{1}{12} \text{ s.} =$	0 10 0	0 0 $\frac{1}{2} \text{ p.}$	$\text{£} =$	1 10 0			1 10 0
80	$\frac{1}{6} \text{ s.} =$	1 6 8	0 10	" =	3 6 8			4 10 0
100	$\frac{1}{3} \text{ s.} =$	2 10 0	1 2	" =	5 16 8			7 10 0
125	$\frac{1}{2} \text{ s.} =$	4 3 4	1 6	" =	9 7 6			11 5 0
150	$\frac{2}{3} \text{ s.} =$	7 10 0	2 0	" =	15 0 0			15 0 0
200	$\frac{1}{3} \text{ l.} =$	20 0 0	2 0	" =	20 0 0			20 0 0

All charged at 2s. in the Pound and an Allowance of 1s. afterwards granted under Schedules B, D, & E, for every 20s. by which the income was less than £150—the effect of this Rule was to exempt £50 but to charge £31 and to increase the Duty at the rate of 3s. on every additional Pound between £50 and £150.

The Scale under the Income Act 1799, was considered objectionable in not being sufficiently gradual, the differences between the parts of the several classes were too wide and sudden. The effect of the rule under the last Property Act, in case of a mixed Income less than £150, of deducting from the aggregate amount of it the Tax charged on the proportion derived from Property previous to settling the allowance of Duty which the parties were entitled to, was such as in many cases to increase the allowance

where the porportion of Income derived from Property was greater than that of Income derived from other sources, contrary, it would seem, to the principle of the Act: there appeared no strong ground for any such deduction at all in the Estimate; the observation upon it at the time was that "it seems fair, but that its " operation renders the allowance disproportionate."\*

A person entitled to an abatement of Duty on the ground of Income less than £150, and paying a premium for insurance on his life or the life of his wife, might, under the Property Act, receive a further allowance of Duty, bearing the like proportion to the whole amount of Duty charged as the amount of the Premium bore to the Income proved. The rule so laid down occasioned a troublesome calculation; "no Table," as was observed, "can be " framed for it within any reasonable compass, the allowance " varying in every amount of Income and every amount of Pre- " mium."\* The mode of granting the allowance (if it were continued in a future Tax) might be simplified by allowing the amount of the Premium as a deduction from the estimate of the amount of Income, and it might be extended to Income of any amount, or, lest in case of a graduated Scale of Charge, the estimated Income should by so much reduction be brought too low in the Scale, a part only of the Premium might be allowed to be deducted; but whether a graduated Scale of Charge or a general Rate of Charge be adopted, the allowance for Premiums of Insurance should not be granted to those with permanent sources of Income, but to those only with Incomes for life.

*Graduated Scale of Charge without any distinction between Incomes of different Denominations, and a Comparison of the effects of such a Scale with those of a General Rate of Charge.*

If in case of an Income Tax extending to all descriptions of Income it should not be deemed expedient to admit any distinction

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\* Guide to the Property Act.



between Incomes derived from Property and Incomes derived from other sources, but nevertheless to adopt a Graduated Scale of Charge to the utmost extent, it may be desirable to form some judgment of the probable result of the measure on such a principle.

In the following Computations the two divisions of Income are consolidated. The first computation shews about the Mean Rate of Charge on each Class of Income under the highest graduated Scale offered in this Work, also the difference in amount between the Graduated Scale of Charge and the General Rate of Charge on a single Income of every class, taking the mean Income of it. The second computation shews the aggregate amount in every class of that difference.

CLASSES.	Graduated Scale of Charge.				General Rate of Charge.*	
	Mean Income of each Class.	Mean Rate of Charge.	Average Amount of Tax on each Income.	Mean Income after deducting the Tax.	Amount of Tax.	Mean Income after deducting the Tax.
Under £50 .....	£25	†17½ per Cent.	£4 7 6	£20 12 6	£9 5 0	£15 15 0
£50 and under £100	75	19 "	14 5 0	60 15 0	27 15 0	47 5 0
100 " 150	125	27½ "	34 13 0	90 7 0	46 5 0	78 15 0
150 " 200	175	32½ "	57 6 3	117 13 9	64 15 0	110 5 0
200 " 500	350	37½ "	132 2 6	217 17 6	129 10 0	230 10 0
500 " 1,000	750	40 "	300 0 0	450 0 0	277 10 0	472 10 0
1,000 " 2,000	1,500	45½ "	681 0 0	819 0 0	555 0 0	945 0 0
2,000 " 5,000	3,500	47 "	1,645 0 0	1,855 0 0	1,295 0 0	2,205 0 0
5,000 and upwards	10,000	48 "	4,800 0 0	5,200 0 0	3,700 0 0	6,300 0 0

\* The general Rate of Charge is 37 per Cent. and is about the average rate at which the whole Income attainable for charge is charged under the 7th, or highest graduated Scale. In the first Computation the total amount of the Tax under the graduated Scale of the several instances given in it is £7,668 14s. 3d. and at the general Rate of Charge it is £8,105. The cause of this *apparent* deficiency in the result of a general Rate of Charge is, that, for the purpose of computing the individual effect of the two modes of charge, a single Income only under each Class is taken, it is made good in the aggregate of the Tax on all Incomes charged at a General Rate by the excess in the numbers of the Incomes of the lowest classes beyond the numbers of those of the highest classes.

† If that part of the Incomes which is exempted of those individuals who also receive part of the total Income charged in this class (under £250) were added to it, the mean Rate of Charge on the whole would appear much less, probably about 10 per Cent. the mean Income should in that case perhaps be taken at about £40, making the mean Income after the Tax £35 12s. 6d. under the graduated Scale, and £30 15s. at the general Rate of Charge.

CLASSES.	Estimated Total Income attainable for Charge.	Total Amount of Tax under highest graduated Scale.	Total Amount of Tax charged at a general Rate.
Under £50 exclusive of? Wages & Income exempted }	£	£	£
£50 and under £100 .....	5,580,000*	976,000	2,066,000
100 " 150 .....	21,160,000	4,040,000	7,790,000
150 " 200 .....	16,400,000	5,550,000	6,080,000
200 " 250 .....	11,050,000	3,620,000	4,080,000
250 " 500 .....	25,010,000	9,450,000	9,250,000
500 " 1,000 .....	19,440,000	7,800,000	7,170,000
1,000 " 2,000 .....	17,730,000	8,080,000	6,560,000
2,000 " 5,000 .....	21,820,000	10,270,000	8,660,000
5,000 and upwards. ....	20,330,000	9,770,000	7,520,000
Totals..	£158,580,000	£58,556,000	£58,556,000

The principal effect of the Graduated Scale as compared with that of the General Rate of Charge is, that it would relieve the lower classes of Income, viz. those not exceeding £150, to the amount of nearly £6 millions or  $\frac{1}{10}$  part of the total Duty, and cast the whole of that Sum on the highest classes of Income, exceeding £1000; the effect on the middle or intervening classes, from £150 to £1000, is the same under both Modes of Charge.

The general and individual effects of a Graduated Scale of Charge as compared with those of a general Rate of Charge on the two divisions respectively of the National Income, viz. the Income derived from the Revenue and the Income not derived from the Revenue, are attempted to be illustrated in the following Estimate.

Without pretending to approximate the real numbers or amounts, suppose that the aggregate numbers of Persons possessing the whole of the two descriptions of Income, so far as they would be chargeable to the Income Tax, are respectively as assumed in this Estimate, and that they would remain the same whatever might be the variations in the respective amounts of Income of the two divisions. As the effect of a general Rate of Charge is to leave Incomes of all Classes after Taxation of the same relative amount as before Taxation, and the effect of a graduated Scale is to leave Incomes of the higher classes at a less relative amount to those of Incomes of the lower classes, it would follow that under No. 1, of the following Estimate, as the numbers of Persons in the two di-

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\* This is the estimated amount under Schedules A. and C. being the only part of all Incomes under £50 which would be chargeable according to the Scale used in this computation, or under any other Scale.

visions are proportionate to the respective amounts of Income of those divisions, the effect of a graduated Scale and that of a general Rate of Charge would be the same after a levy on them of a Total Revenue, say, of £50 millions, and it would follow as the numbers of Persons in the two divisions under Nos. 2 and 3 are not proportionate to their respective amounts of Income, but the total amount of the Income derived from the Revenue is in proportion to the total number of Persons receiving it greater than the total amount of other Income is to the number of Persons receiving it, that under a graduated Scale of Charge the Tax would fall proportionately heavier on the former than on the latter division of Income, and a judgment may be formed of the degree of general and individual excess by comparing the aggregate amounts of the Tax and the individual amounts of Income after Taxation under each mode of charge as given in this Estimate.

Total Number of Persons with taxable Incomes.	Aggregate Amount of Incomes.	Average Individual Amount of Incomes.	Aggregate Amount of Tax at General Rate of Charge for a total Revenue of £50 Millions.	Average Individual Amount of Income after Taxation.	Aggregate Amount of Tax on graduated Scale for a total Revenue of £50 Millions.	Average Individual Amount of Income after Taxation.
Sch. A. B. & D. 800,000 Sch. C. & E. 200,000	No. 1. { Sch. Millions. A. B. & D. £160	£200	Millions. £40	£150	Millions. £40	£150
	{ A. & C. £40	£200	£10	£150	£10	£150
	No. 2. { A. B. & D. £130	162 10	£38 $\frac{1}{2}$	£114 14	£35	£118 15
	{ A. & C. £40	£200	£11 $\frac{3}{4}$	£144 5	£15	£125
	No. 3. { A. B. & D. £100	£125	£35 $\frac{1}{16}$	£80 7	£30	£87 10
	{ A. & C. £40	£200	£14 $\frac{1}{16}$	£128 10	£20	£100

*An Income Tax on a Graduated Scale of Charge, limited according to the Scale of the late Property Tax ; or an Income Tax with a General Rate of Charge on Trade and other Life Incomes less than the General Rate of Charge on Incomes in Perpetuity.*

Giving all considerations due weight, it may be deemed most advisable, in the event of a revival of the Income Tax, to resume the same plan of Assessment as was adopted under the late Property

Act by making no distinction in the Rates of Charge except in favor of Incomes not amounting to £150 derived wholly or principally from labor and industry and chargeable under Schedules B. D. and E. The amount of such Income charged under the late Act at a series of abated Rates, viz. Income exceeding £50, and less than £150, (Income under those Schedules not exceeding £50 having been exempted) was about £18½ millions, and it appears that the average Rate of Charge upon it was about 6 per Cent. viz. three-fifths of the maximum Rate of 10 per Cent. at which all other Income was charged. Assuming, as before, that the total amount of Income attainable for charge after special exemptions to Foreigners and Charities, &c. would be £158½ millions, and deducting therefrom £18½ millions as chargeable by a Scale of abated Rates, the mean rate of which will be taken at three-fifths of the maximum Rate, there will remain £140 millions chargeable at the maximum Rate.

The following computations are offered of the probable Net Produce of a future Income Tax on this plan under different Scales of Charge, commencing with the Scale of the late Tax, and terminating with two Scales, the lowest of which would produce an Amount exceeding the average amount of the present Revenue.

General Rates of Charge on £140 Millions.	Average Rates of Charge (viz. 3-5ths of the general Rate) on £18½ Millions.	Gross Charge.	Discharges and Losses by Arrears irrecoverable.	Net Receipt or Gross Produce.	Charges of Management.		Net Produce.
					Rates in the %.	Amount.	
10 per Cent.	6 per Cent.	£ 15,110,000	£ 200,000	£ 14,910,000	5½	£ 341,687	£ 14,568,313
15 "	9 "	22,665,000	250,000	22,415,000	5½	490,328	21,924,672
20 "	12 "	30,220,000	300,000	29,920,000	5	623,333	29,296,667
25 "	15 "	37,775,000	350,000	37,425,000	4½	740,704	36,684,296
30 "	18 "	45,380,000	400,000	44,980,000	4½	842,437	44,087,563
35 "	21 "	52,885,000	450,000	52,435,000	4½	928,536	51,506,464
40 "	24 "	60,440,000	500,000	59,940,000	4	999,000	58,941,000

If it should be deemed expedient to confine the Graduated Scale of Charges to Incomes of low amount derived from Labor

and Industry, not from an opinion that it would be unjust in principle to extend it to higher Incomes of whatever denomination or amount, but from an apprehension that it could not be extended to other Incomes without danger of too great evasion and without such procedure as would be too obnoxious; then it is to be observed, that if a distinction on the ground of the *amount* of Income could not for those reasons be extended to Incomes higher than £150, a distinction on the ground of *denomination* of Income might be easily extended to Incomes of all amounts without giving rise to objectionable proceedings or creating extensive means of evasion. All Income above £150 not derived from Property, and all Income derived from Property of which the possessor has a Life Interest only, might be charged at some *general Rate* but which should be less than the general Rate of Charge on Income derived from Property of which the party is absolute Proprietor.

The particular denomination of any Income or the limitation of the existing interest in Property would be known, or they might be ascertained without any objectionable interference or injurious disclosure. Suppose that all Incomes above £150 of the denomination of Incomes chargeable under Schedules B. D. and E. and all Life or temporary Incomes under Schedules A. and C. be charged at some general Rate, not less than three-fifths nor exceeding four-fifths of the general Rate of Charge on Income from absolute Property under Schedules A. and C. The general Rate of Charge on Life Income might vary according to the ages of the parties, say,

Under 25 years of age,	$\frac{2}{3}$	of the general rate of charge on other Income.
25 and under 40	.... $\frac{3}{4}$	..... Ditto
40 and under 50	.... $\frac{7}{10}$	..... Ditto
50 and above	..... $\frac{8}{10}$	..... Ditto

For the sake of trying a computation of the probable effect in the produce of a Tax modified on such a principle, let it be supposed that one-fourth of Income derived from Property (Schedules A. and C.) is Life Income.

Estimated Income attainable for charge under Schedules A. and C....	Millions. £86½
¼ of which is .....	(say) .. 21½
Estimated Income from Property chargeable at the maximum Rate....	£65
Life Income derived from Property .....	21½
Total Income attainable for charge under Sch. B. D. and E. £72 mill.	
Deduct Income exceeding £50 and under £150.....	18½
	£53½
Income to be charged at a general rate, not less than ⅓ and not exceeding ⅔ of the general rate on other Income .....	} £75

If Trade, Professional, and Life Income above £150 be charged at only three-fifths or not exceeding four-fifths of the general Rate charged on Income from Property, then the Scale of Charges on Income between £50 and £150 should be somewhat lower than under the late Act, instead therefore of taking, as under that Act, the Average Rate of Charge on such small Incomes at three-fifths, it will be taken at two-fifths, of the maximum Rate.

General Rate per Cent. on £65 Millions.	General Rate per Cent. on £75 Millions.	Average Rate per Cent. on £18½ Millions.	Gross Charge on £65 Millions.	Gross Charge on £75 Millions.	Gross Charge on £18½ Millions.	Total Amount of Gross Charges.	Estimated Net Produce after Deductions, Charges of Management, &c.
			£	£	£	£	£
10	7	4	6,500,000	5,250,000	740,000	12,490,000	12,000,000
15	10	6	9,750,000	7,500,000	1,110,000	18,360,000	17,700,000
20	12	8	13,000,000	9,000,000	1,480,000	23,480,000	22,700,000
25	16	10	16,250,000	12,000,000	1,850,000	30,100,000	29,100,000
30	20	12	19,500,000	15,000,000	2,220,000	36,720,000	35,700,000
35	25	14	22,750,000	18,750,000	2,590,000	44,090,000	42,800,000
40	30	16	26,000,000	22,500,000	2,960,000	51,460,000	50,100,000
45	35	18	29,250,000	26,250,000	3,330,000	58,830,000	57,400,000

*Graduated Scale of Charge on Income according to the relative Value of it.*

An opinion has been entertained that it is not the nominal Amount of Income but the relative Value of Income which, as constituting the real individual means of contribution, or as shewing the actual relative ability, should be the ground of Assessment to any direct Tax upon it.

In order to charge Income precisely at its relative value, the computation of value should be made with regard not only to the quality of it, but, in limited interests depending on life or lives, to the ages also of the parties; the result would be a Scale of Values varying as the nature of the Income and the ages of parties required; It would seem necessary, after estimating the price or present worth of a Life Annuity, or Income depending on Life, that is, after converting it into a nominal sum of Capital, to fix an equitable rate per Cent. by which to determine the annual value of it, which should be taken as equivalent to an Income in perpetuity and on which the Tax would be chargeable. The amount of computed value as charged at the commencement of the Tax or on the first liability of any party to the Tax, might be continued throughout the period of the party's liability to the Tax, or it might vary annually in each case of limited Income as the value might vary with increase of age. With the assistance of Tables, the scheme of charge in the ratio of value might be practicable with respect to fixed and certain Incomes, as those derived from Land and in the Public Funds; but the difficulty would, it is conceived, be to maintain it with justice to those Incomes which do not spring from any sure and permanent source. If persons with permanent and those with limited interests in perpetual Property are to be charged according to the values of them, differing as the quality and other circumstances of the Property or Income may differ, and varying with the probable duration of interest, persons in Trades, Professions, and Employments, whose Incomes are for life, and often for a less term, might equitably claim to be placed on the same footing; but with respect to Incomes fluctuating and uncertain, as those derived

from Trade, &c. if even the relative value of them could be made the object of arithmetical computation in every case, endless calculations would be required to regulate them in all their changes; the scheme so minutely contrived would be very inconvenient in practice, or be only partially practicable.

As the plan of a Tax on Income according to relative value may however be just and consequently desirable, it is submitted whether a plan might not be devised which would be practicable, and which, without attempting to form it so as to meet exactly every individual case by the precise and troublesome discriminations of arithmetical rules, but relying on impartial judgment and just discernment, would, with respect to the relation in point of value which each species or source of Income bears to the rest, so approximate it as to afford a fair general Scale of Charge according to relative value, the chargeable amount of all Incomes of the same species not to be varied according to ages, but to be governed by the same ratio of value.

A scale so formed may be divided into a great variety of sources or descriptions of Income and an equal variety of Values. Suppose that the several species of Incomes specified in the annexed Table, stand in regard to relative value in the order in which they are placed therein, which is submitted without any pretensions to a knowledge of and therefore as probably not exhibiting the exact degree of their relative values, but merely for the sake of illustrating the proposition; suppose then that the ratios of value be as given in the first column, taking the first and highest source of Income at an integer and the others at fractional parts of it, and taking the relative value of any sum (say £100) of nominal Income of each species to be as given in the second column.



*Table of the supposed relative Values of different Sources of Income.*

	Ratios of Value.	A nominal Income of £100, equal in rela- tive value to
1.—Rent of Lands in Fee simple and other Lands in perpetuity..	1	£100
2.—Interest of Mortgage or other Incomes secured in perpetuity on Lands .....	$\frac{1}{10}$	£90
3.—Interest in perpetuity of permanent Public Stocks and Securities .....	$\frac{1}{8}$	£ 85   s. 14   d. 3
4.—Rent of Lands entailed on the Family of the present Proprietor .....	$\frac{1}{8}$	£90
5.—Profits of Commerce, Manufactures and Trades, derived wholly or principally from Capital.....	$\frac{3}{4}$	£75
6.—Rents of Lands entailed on others than the Family of the present Proprietor or on one Child of it only.....	$\frac{1}{10}$	£70
7.—Annuities for Life or terms of Years on Government Securities or other perpetual Funds .....	$\frac{1}{8}$	£ 66   s. 13   d. 4
8.—Pay and Profits of Public Servants under Government, or under other Public Authorities .....	$\frac{1}{8}$	£80
9.—Profits of Trade and of Occupation of Land, derived principally or wholly from Industry, Labor or skill.....	$\frac{1}{2}$	£50
10.—Profits of Professions derived wholly from ditto.....		

The ratios of Value being satisfactorily settled the scheme would assume a fair practical form. The Amounts of the annual Value, that is, the taxable amounts of Income, being determined, they might be subject, as under any plan of charging Income at its nominal amount, to a graduated Scale of Charge according to the aggregate Income of the possessors from all sources; or Incomes of different species being considered as reduced to a sufficient equality by the Scale of Value, might be charged at one and the same general rate, with perhaps an exception only of small Incomes derived wholly or principally from Labor, which, under any plan of a Tax on Income, should, it is conceived, be favored as much as possible.

*Allowances of Duty on account of Children.*

If it should be regarded as a due and necessary relief to persons having large families to grant some allowance of Duty on account of Children maintained at their expence, the scales adopted under the Income Act and under the first Property Act may be referred to. The particulars of the two Scales are as follow, viz.—

*Income Act, 39 Geo. 3.*

£60 and under £400	5	per Cent. for each Child born in wedlock.
£400 and under £1000	4	ditto ditto and if all the Children were under Six Years of Age, then 3 per Cent. for each Child.
£1000 and under £5000	3	ditto ditto if ditto, then 2 per Cent.
£5000 and upwards	2	ditto ditto if ditto, then 1 per Cent.

*First Property Act, 48 Geo. 3.*

£60 and under £400	4	per Cent. for each Child born in wedlock above 2 in number.
£400 and under £5000	3	ditto ditto
£1000 and under £5000	2	ditto ditto
£5000 and upwards	1	ditto ditto

The allowances for Children in proportion to the amount of the Property Tax in each case were not continued in the subsequent Acts relating to that Tax. It was stated on passing the last or 10 per Cent. Act of 46 Geo. 3, that "the trouble and inconvenience of obtaining the allowance, as well to the Party as to the Commissioners, has been the occasion of omitting it in this Act."\* This difficulty seems not a sufficient ground of objection to acceding to the equitable principle of the allowance, and the magnitude of a future Tax might render the granting it too important to be withheld.†

The total amount of the Allowances on the Scale adopted under the Income Act was £387,109 on the aggregate amount of Duty of £6,280,586, being on the average at the rate of about 6 per Cent. on the whole Duty; but on the Scale under the Property Act, which confined the Allowances to the number of Children above two in each family, the total Allowance was no more than £48,000 on

## \* Guide to the Property Act.

† Allowances for Children were granted, during the remaining period of the Property Tax, to persons paying the Assessed Taxes in proportion to their respective payments of those Duties, the total Deduction on account of which was replaced out of the Property Tax at the Exchequer, by which proceeding the net produce of the Property Tax applicable to the Public Service was diminished by that amount, viz. nearly £170,000.

£4,800,000 total Duty, viz. 1 per Cent. of the Duty, and the number of Children in respect of which it was granted, did not much exceed 120,000. The latter Scale afforded such inconsiderable relief (not worth "the trouble and inconvenience of obtaining it,") that it would perhaps be more advisable in a future Tax to withhold all relief than to adopt it; but if the Scale under the Income Act would not subject the Gross Produce of the Duty to too serious a deduction, the admission of that Scale is suggested, and the Net Produce of the Duty under each graduated Scale of Charge is computed in this Work with a deduction of 6 per Cent. accordingly.

Relief on account of Children, if numerous, in cases of persons of the low classes of Income, might be granted by a plan of total exemption upon a scale depending on the number of Children, by way of illustration, as follows:

Classes of Income.		To be exempted if under the		
		1st Graduated Scale of Charge.	2d Scale.	3d Scale.
£50 and under £60		.... 3 children	4 children	5 children
£60 .....	£70	.... 4	5	6
£70 .....	£80	.... 5	6	7
£80 .....	£90	.... 6	7	8
£90 .....	£100	.... 7	8	9
£100 .....	£110	.... 8	9	10

The Exemption on this plan to be allowed throughout the inferior classes of Income, under £150, and to be extended to the 4th and 5th graduated Scales of Charge in cases where the Children are very numerous.

As the object of Allowances of Duty for Children would be to lighten the burthen in proportion to the inability of the parents to bear it, which in effect would be to impose it more heavily on those better able to sustain it, the end might be answered by a due distinction between married and unmarried persons, providing no abatements for Children, but imposing on unmarried persons additional charges of 5, 10, 15 or 20 per Cent. of the Assessments on their Incomes, the rate of additional charge to depend on the amount of Income and the Scale of charge adopted. As the total number of married persons is much greater than of those unmarried and possessed of Incomes; this mode would be most limited and easy in practice; one objection to it however would be that

married persons would be charged without distinction between those who have large and those who have small or no families.

*Very great Saving from the small amount of the Charges of Management of an Income Tax, compared with those of the present Taxes in general.*

One certain and very important advantage of raising the Revenue by an Income Tax is the comparatively low rate of Expenditure of the Management and Collection of it.

The late Property Tax was assessed and levied at an expenditure of about  $5\frac{1}{2}$ d. in the Pound; the rate of expenditure of an Income Tax could doubtless be diminished as the total amount of it increased; it may be estimated that it would vary, with the aggregate amount of the Tax, from  $5\frac{1}{2}$ d. to 4d. in the Pound, at which latter, if not at a less rate of expenditure, an Income Tax on the highest proposed scale could be raised. The expenditure of managing and collecting the present Revenue is upon the average about 6 per Cent. or 1s.  $2\frac{3}{4}$ d. in the Pound. A very great saving therefore would be realized by the substitution of an Income Tax; the extent of it under each Scale is shewn in the following computation, being in the highest Scale more than £2½ millions, or about  $4\frac{1}{2}$  out of 6 per Cent.

	Estimated Net Receipt £	Rate of Charge of Ma- nagement. d.	Amount of Charge. £	Amount at 6 per Cent. the Rate of Expenditure of the present Revenue. £	Amount of Saving. £
1st Scale ..	16,061,013	$5\frac{1}{2}$	368,065	963,660	595,595
2nd „ ..	21,551,044	$5\frac{1}{2}$	471,429	1,293,002	821,633
3rd „ ..	27,286,180	5	568,465	1,637,170	1,068,706
4th „ ..	33,559,090	$4\frac{1}{2}$	664,189	2,013,545	1,349,356
5th „ ..	40,990,550	$4\frac{1}{2}$	768,572	2,459,433	1,690,861
6th „ ..	46,880,316	$4\frac{1}{2}$	830,171	2,812,818	1,982,647
7th „ ..	54,532,159	4	908,869	3,271,929	2,363,060

The Tax upon that part of the Income which is derived from the Revenue could be obtained with very little expenditure, being deducted from the payments to be made, it would in fact be only a lessening of the amount of them. Some expenditure would attend the proceedings necessary for regulating and granting Allowances

on the ground of Income (if the graduated Scale be admitted), also to Foreigners, Charities, &c., but it may be estimated that the whole Expence under the 1st. or lowest Scale would not exceed £30,000, or  $\frac{2}{3}$  per Cent. on an amount of about £4 millions, at which Sum the total Net Receipt of Duty under that Scale on Income derived from the Revenue may be computed. The expence under the highest Scale on an estimated Net Produce of £14 millions of Duty derivable from Revenue Income might not amount to £55,000, or  $\frac{2}{3}$  per Cent. Instead of paying into the Exchequer the Tax deducted from the Dividends, to be again issued therefrom to the Bank of England, as was the form of proceeding under the late Act, the issues from the Exchequer might be made to the Bank of England short of the Tax, but with such additional sum as might be necessary to meet the Allowances of Duty to Foreigners, &c. This alteration would prevent some trouble, if not also expence.

Some saving of trouble and expence, though not of considerable extent, could be made by reducing permanently the official Incomes of all persons in the Public employ, instead of charging and deducting the Tax annually from them; but it might be most advisable, on the whole, to fix the full compensations which they are entitled to receive for their services at whatever amount may be just, and then to subject them expressly to the Tax in common with all other classes of society. Such a course would, it is conceived, be most satisfactory to the Public Officers themselves.

This head cannot be closed without observing that the Service of the Gentlemen acting as District Commissioners and performing the duties allotted to them without receiving any compensation, is most important, not only as it is a disinterested exercise of office which renders their decisions more satisfactory or reconcileable to all those subjected to them, but as it occasions a great saving of expence to the Country. If the Revenue were wholly raised by an Income Tax, then for the saving of £2 millions and upwards, which would take place in the Charges of Collection by the repeal of all other Taxes, the Country would be principally indebted to this valuable body of men in rendering their indispensable services gratuitously.

*Abstract Estimate of the Charge and Produce of an Income Tax under the several Scales of Charge submitted in this Work.*

Number of Scale of Charge.	Gross Charge, after Allowances on the ground of Income. 1	Allowances for Children. 2	Net Charge after Allowances for Children. 3	Amount of Discharges & Arrears Irrecoverable 4	Net Receipt. 5	Charges of Management. 6	Net Produce. 7
	£	£	£	£	£	£	£
1	17,298,950	1,037,937	16,261,013	200,000	16,061,013	368,065	15,692,948
2	23,192,600	1,391,556	21,801,044	250,000	21,551,044	471,429	21,079,615
3	29,347,000	1,760,820	27,586,180	300,000	27,286,180	568,465	26,717,715
4	36,073,500	2,164,410	33,909,090	350,000	33,559,090	664,189	32,894,901
5	44,032,500	2,641,950	41,390,550	400,000	40,990,550	768,572	40,221,978
6	50,351,400	3,021,084	47,330,316	450,000	46,880,316	830,171	46,050,145
7	58,544,850	3,512,691	55,032,150	500,000	54,532,150	908,869	53,623,280

The column (3) of Net Charge, shews the Total Amount of the Contributions due from the Parties charged; the column of Net Receipt (5), the amount of Contributions actually paid by the Parties. The column (7) of Net Produce shews the Total Amount applicable to the Public Service. If Allowances of Duty for Children should not be admitted, the estimated Net Produce would be greater by the Sums stated in column (2.) With reference to the column (4) it is to be observed, that in computing the Net Produce of the Duty some deduction should be allowed on account of Diminution of Profits, Losses, &c. within the year of Assessment, for which proportionate Discharges may be granted at the end of it, and also for irrecoverable Arrears arising from Insolvencies, &c.; the Amount can hardly be anticipated: by the Accounts of the late Property Tax, such Deductions appear to have fluctuated in annual amount; but forming a judgment from the general extent of them, and taking the probable amount in some proportion to the whole estimated produce, it is not apprehended that they would exceed the Sums affixed to the respective Scales. Although the Sums of Gross Charges of Duty (1st col.) from which the other amounts in the subsequent columns are de-

duced, are the estimated results of Graduated Scales of Charge submitted in the Appendix of this Work, those other amounts or results would be the same or in the same proportion to Sums of Gross Charges which might be deducted from General Rates of Charge or from any Scales or Plans of Charge different from those offered in this Work.

*Suggestions for Consideration on certain Practical Points in case of a Property Tax only.*

Proprietors of Real Property, in case of a Tax on Property only, should have the power of deducting a proportionable part of the Tax from any annual payments to others which are charged thereon; it may be a question whether a distinction should not be made in favor of the persons receiving such payments, and also of persons in possession of Real Property for life or a term of years, by estimating their Incomes or fixing the charges of Duty on them at some rates lower than those applicable to persons possessing Property absolutely. If a Tax be laid on Property exclusively, on the ground of the superiority of it in some respects as concerns the Proprietors when compared with Individuals depending on other sources of Income, and not because it is a Tax more easily ascertained and levied, then distinction just suggested would be consonant with the principle observed in taxing Property only, or that principle might justify the total exemption of Persons in receipt only of annual Interest or other temporary charges on Real Property, and it might not be just to subject to the Tax such annual Payments arising out of Property, while similar payments, charged on Profits from Trade, &c. would not be subject to the Tax; on the other hand it might be necessary to consider all participators of Rents or Profits as involved in whatever fate and casualty might occur to the particular security they had chosen; unless obligatory Payments out of Real Property were rendered liable, Proprietors, who could not in justice be assessed on their full Rents, &c. unless they were authorized to deduct the Duty proportionably from such Payments, would have only to mortgage their Property or charge it with Annuities, and lay out the proceeds in the same

manner on other Real Property, or in some source of Profit not rendered chargeable, and the Tax would be avoided.

Though in case of a Tax on Property only, Proprietors in general of Real Property might in a great degree be reimbursed, partly by partaking of the general relief from the fall of Prices on the abolition of other Taxes, and partly by increased Rents, which the reduction of other taxation would enable the Tenants to pay, yet as the latter means of reimbursement would, with respect to the period of its commencement, depend on the length of existing Leases, it might be just towards the Proprietors to throw a certain proportion of the Tax on the Tenants until the Leases shall have expired. Under the late Property Act, the Owner contributed four-sevenths and the Occupier three-sevenths of the whole Tax charged on the aggregate of the Rents and of the Profits of occupation: under a Tax on the Rent only of Property, the contribution of the Owner should be a greater proportion, probably  $\frac{2}{3}$  for the Landlord's proportion and  $\frac{1}{3}$  for the Occupier's proportion might be in a just ratio for this temporary adjustment, admitting exemption or abatements to the Occupiers in cases of small Incomes.

There will be also to consider, whether any and what distinction should be made in favor of Annuitants for life or for terms of years in the Public Funds and Securities: as not possessed of the absolute Property, it would not be equitable, according to the principle on which only Property can with justice be exclusively taxed, to charge them at the same rate as absolute Owners of Funded Property—as possessing Income more secure and certain than Income in general derived from other sources than Property, it might be fair to tax them, but it should be at some lower rate; to exempt them totally would be to incur the danger just adverted to in cases of Persons with life or temporary Incomes charged on Real Property; Persons having the absolute Property would be converting it into Life Annuities for the purpose of avoiding the Tax.

It must not be omitted to be stated in considering the expediency and practicability of a fair and equitable Property Tax, that the exclusion of Income from Trade, Profession or Employment, would prevent to a great extent, if not wholly, the operation of a graduated Scale of Charge, inasmuch as the due amount of



charges, in proportion to the aggregate amount of each individual's Income from all sources, according to which rule only such a Scale can be fairly established, could not be ascertained where that Income was partly derived from Trade, &c.

*On the probable Produce of a Property Tax, at various Rates of Charge.*

Income derived from Property may be considered as comprehended under Schedules A. and C., and as amounting to rather more than one-half of the total Income liable to the charge of an Income Tax, and to considerably more than one-half of the whole Income attainable for charge. It will be perceived that according to either of the several proposed Scales of Charge the produce of Duty estimated under Schedules A. and C. would be about three-fifths of the aggregate amount of the estimated Produce of all the Schedules. If a Property Tax were commenced upon the lowest proposed scale of rates, the Net Produce might be taken at nearly £10 millions, and if extended to the highest of the proposed Scales, the Net Produce might be nearly £32 millions, according to the following rough Estimate :

	1st or lowest Scale.	7th or highest Scale.
Total estimated amount or gross Charge under Schedules A. and C. ....	£10,936,200	£34,649,250
Estimated amount of [Allowances for Children, charges of Management, and irrecoverable Arrears, being $\frac{1}{3}$ of the total estimated amount of such allowances, &c. under all the Schedules .....	£963,600	£2,952,936
	<hr/> £9,972,600	<hr/> £31,696,314

Although the Tax confined to Income derived from Property doubtless has some recommendations, yet if so limited, the full Revenue could not be raised without the continuance of other general Taxes, bearing hard on those exclusively taxed in respect of their Property and affecting disproportionably their means to pay to the Property Tax. The intention in taxing Property only might be to raise from it such a proportion of the whole Revenue

as on comparing the probable total Income derived from Property with the probable total Income derived from other sources should yield a just or necessary excess of taxation to be paid out of Property in consideration of the superior circumstances in which it places and the greater stake it gives to those in possession of it, compared with others depending on Income only and on their own industry and labor for the acquirement of it; upon no other consideration, it is presumed, would it be either just or politic to raise any Tax on Property exclusively, and as Property is not capable of bearing such an excess of taxation to a great amount, any material reduction of the present Taxes could not be accomplished by the substitution of a Tax confined to Income derived from Property. If it were decided that an Excess of Taxation should be specially raised out of Property, then in fixing the amount of that Excess it might be considered advisable either to repeal an equal amount of the present Taxes for which the Tax on Property should be substituted, or if an Increase of the Revenue should be indispensable, then to raise the Property Tax with less or no repeal of other Taxes. Suppose, for the purpose of illustration, that the total amount of Income derived from Property (Schedules A. and C.) equals the chargeable amount of Income derived from the other sources. Schedules B. D. and E. (and probably the two denominations of Income are near in total amount to each other,) and that they sustain equally the charge of the present Taxes whatever the amount and description of them may be;\* suppose that the present Taxes amount to £50 millions, but that the Revenue required to be raised by Taxes is some amount exceeding £50 millions, and not exceeding £60 millions, and that by reducing the present Taxes and imposing a Tax on Property only to such amount as the increased exigencies of the State should determine, Taxation would fall on the two denominations of Income as follows:—

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\* The Wages of Labor as depending on the Incomes of the superior Classes may be considered as appertaining to the two Divisions of them in proportion to their respective Amounts.

Required Revenue.	Present Taxes.		Amount of Property Tax to be raised on Property only.	Amount of Relief from the present Taxes to each denomination of Income	Net Increase of Taxation on Property.
	Amount to be paid by each denomination of Income.	Total Amount.			
<i>Millions.</i> £50	<i>Millions.</i> £22	<i>Millions.</i> £44	<i>Millions.</i> £6	<i>Millions.</i> £3	<i>Millions.</i> £3
52	22½	45	7	2½	4½
54	23	46	8	2	6
56	23½	47	9	1½	7½
58	24	48	10	1	9
60	24½	49	11	½	10½*

Assuming the total Income from Property attainable for charge (under Schedules A. and C.) to be £85 millions, then the rates of charge to be imposed, in order to raise a Property Tax to either of the amounts supposed in the foregoing Table, would on the average be as follows:—

Amount of Property Tax on Property only.	Average Rates of Charge.		Millions.	
£6 .....	7	per Cent.	or, say, 1s. 6d. in the pound, which £	
7 .....	8½	.. ..	would raise about .....	
8 .....	9½	.. ..	..... 2s. 0d .....	
9 .....	10½	.. ..	..... 2s. 6d .....	
10 .....	11½	.. ..	..... 10½	
11 .....	13	.. ..		

A Tax laid on the Income of Property only at an average rate of 5 per Cent. or 1s. in the Pound, might raise about £4½ millions; and if other Taxes to that amount were repealed, the Net Increase of Taxation on Property would be 2½ per Cent. or 6d. in the Pound.

\* In proportion as the Tax on Income derived from Property were increased, it would diminish the amount of that Income to be expended on other Taxes and a larger proportion of those Taxes must consequently fall on Income derived from other sources, therefore the amount of relief from the present Taxes to be given to Income from Property may be somewhat under-rated, and the increase of Taxation upon it proportionately over-rated in this Estimate.

*On a Plan of assessing the Capital instead of the Profits of Trade.*

It has been stated that many Persons in Trade though strongly objecting to disclose their actual Profits would not feel so much reluctance to make known the amount of their Capital, and to be charged for it at such a rate per Cent. as might be considered a fair or the general rate of Profit of it. It is conceived that a Tax on Capital regulated by the value of Stock, and Merchandize, would not only be less comprehensive, but ~~and~~ more unequal than a Tax directly imposed on the Profits of all Trades, &c. taking them relatively to each other, in as far as some require much, others little or no Capital, and that it would be very difficult, if not impossible, to ascertain satisfactorily in many cases the quantities and values of Stock, Goods, &c. annually acquired or disposed of; also, that the Proceedings for that purpose would be more vexatious and inquisitorial than those necessary to ascertain the actual Profits. It may be presumed from the trifling Sum raised from Merchandize, Stock, &c. by the Stock or Personal Estate Tax, (viz. between £5,000 and £6,000 and which has always been annually raised with the Land Tax on Lands and Tenements,) that it has not been practicable or been deemed advisable to comprehend in the Assessments to the fixed Quotas of Land Tax, that species of Property or Capital generally, although full powers were given for the purpose. In the Act under which the Tax is levied there are no particular rules prescribed for ascertaining the value of the Capital assessed; the Tax can be levied in those few places only in which it was levied in 1798, (when the Land Tax was converted from an annual into a perpetual Tax,) it must not exceed the amount raised in that year, and the mode of charge appears to be left to discretion. In case, however, such a mode of taxing Traders should, as an alternative for a Tax on their actual Profits, be deemed preferable to a total exemption of Persons in Trade, or to any scheme of a Tax to be imposed on them exclusively, (as hereafter proposed), and if a Tax on Property ought to comprehend all Capital, and Property, Personal as well as Real, fixed and moveable, the attempt might perhaps be made to raise a Tax from Capital generally, by varying, it yearly, or

frequently, according to the varying value and quantity of Merchandize, Stock, &c. acquired or disposed of by the several Owners, as well as the quantities could be ascertained and the value thereof determined on. It might be considered by some not only as a mode of charging Traders, &c. less objectionable than an Assessment on their Profits but as likely, in the aggregate, to produce to the Revenue an amount nearly equal to that which, trusting to their Returns of Profits, would be attainable in that way. It might however be provided, that if any Trader were over taxed by the fixed rate laid on his Capital, he should have the option to appeal on the ground that the charge exceeded the amount which would be chargeable on his actual Profit, computing the amount according to the rate of charge on other descriptions of Income, and that in such cases only the amount of actual Profits should be disclosed and assessed.

*An Income Tax on all Income whatever, or a Tax on the Income of all Property, attainable, in effect, by raising a Tax on Real Property only, that is by a Land Tax.*

Although in the event of a Property Tax the Profits of Trade, Professions, and Wages, also the Profits of Occupation of Land and the Pay, Salaries, &c. of Public Servants would not be directly taxed yet it may be presumed, as the Tax would be limited to Landlords in respect of the Rents of Lands and Houses, that the Occupiers would be made indirectly to bear a part of the burthen by an increase of the Rents, which it may be expected would be demanded of them; and that the Pay, Salaries, &c. of Public Servants, might be reduced either in proportion to the reduction in the price of living consequent on the diminution of the Taxes to take place on the imposition of the Property Tax, or in some proportion to the rate of that Tax. Under these circumstances if it were expedient and just, on the ground that these other descriptions of Income, though not directly charged to the Tax, were virtually reduced by it, to make a proportionate reduction in the amount of the Dividends and Annuities due to the Public Creditors instead of taxing them (a proceeding different in form but the same in effect) the Property Tax would be limited, in the

direct proceedings necessary for raising it, to nearly the same description of Properties as the present Land Tax embraces in its charge, that is, Lands and Houses; and if it may be presumed that the equalizing and compensatory effects of exempting Wages and Profits of Trade, &c. from any direct charge to a Tax would take place in the manner anticipated in the discussion on them under a preceding head, a general Income Tax might then be considered as, *in effect*, imposed on all sources of Income, and yet the procedure of it, (the principal ground of objection offered to an Income Tax,) would not extend beyond the assessment and collection of the Tax from the Rent of Real Property, that is, it would be a Land Tax only.

*Composition of Income Tax or Property Tax in the manner of the Composition of the present Assessed Taxes.*

When the Rates of Charge and Amounts of Assessment in general shall have been for a length of time satisfactorily fixed, persons might be allowed to compound for a continuance of the same amount of Duty for a term of years, so far as concerns the Duties under Schedules A. B. and D. in the manner adopted with respect to the Assessed Taxes at the present time, thus avoiding the proceedings of annual returns and assessments and any increase of charge during that term.\* It might however be considered whether, as under the plan of Composition for Assessed Taxes, any per Centage in addition to the Tax compounded for should be

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\* The Composition of Assessed Taxes, it may be presumed from the many successive Acts passed to extend the period of it, and from the large proportion of individuals who have availed themselves of it, has answered the object intended by it; many who compounded under the first Act (1819) and have renewed their Compositions under the subsequent Acts will, at the end of the last granted extension of time, have had the continuance of the same Assessments for 14 years, viz. from 5th April 1819, to 5th April 1833, shewing to what extent it is considered such a mode of raising direct Taxes can be carried with due regard to the Revenue as well as to the interests and comfort of individuals. Some Persons have probably gained greater advantage than considering the subsequent improvement of their circumstances they are in fairness entitled to; but as the Composition Acts contain provisions to guard against abuse in certain cases of that nature any *excessive* advantage is, it is conceived, confined to a few only, while those who have derived no advantage or have not desired to continue their Contracts have had opportunities to withdraw from them.

charged; such per Centage may be a compensation for probable loss of Revenue in some cases, but as the Compounders of Income Tax might not in most instances derive any other advantage than an exoneration, during the term allowed, from any proceedings, (for no addition of Income might arise during the term) it would, if no per Centage were charged, be a greater inducement to persons to compound, an arrangement, by which any discontent and disquietude that liability to Proceedings may occasion might be prevented. Composition would not be essential or easily practicable in respect of the Duties under Schedules C. and E., and it should be observed that if the modifications already proposed of allowing long intervals between the periods of making Returns and Assessments, or the scheme of Redemption of the Tax as hereafter suggested, were adopted, any Composition for a term of years would be less desirable under the other Schedules.

*On a gradual increase of an Income Tax with an estimate of the proportions which its produce under various Scales would bear to the Total Income of the Country.*

Although an Income Tax, at whatever scale imposed, would at once create a considerable saving in the gross amount of public contributions to the Revenue from the greater economy of expence in collecting it, as well as in private Profit and Expenditure from the cessation of restrictive and injurious procedure, and from reduction of prices on the abolition of other Taxes; yet, if it should be deemed expedient to extend it to a very high scale, it might still be advisable to commence the measure on a low scale, and to increase it gradually, from which progressive course, as the change would operate on the various classes and interests of the community with different degrees of effect, there would not arise that confusion and derangement which, if once adopted on a large scale, the magnitude, and suddenness of it might among some classes of Persons for a time, occasion, and which, however just and generally beneficial the ultimate effects of the change would be, it might be proper to avoid. With reference to this point, the following Estimate is offered of the average Rates of Charge on the total Income of the Country of an Income Tax under each of the proposed Graduated Scales of Charge, and it is

to be submitted, that if a Graduated Scale of Charge to the Income Tax should, from any objection to it in principle or in practice, be deemed inadmissible, and some General Rate of Charge should be preferable, either as most just or as most practicable, then the following Average Rates affixed to the respective Scales are offered as approximating to such General Rates of Charge as would raise in Total Produce of Duty from the Income rendered liable to charge, the sums estimated for those Scales respectively.

Scales.	Total Amount of the estimated Net Receipt of Duty.	Average Rates of Charge on the Total Income assumed as attainable for Charge.*	Average Rates of Charge on the Total Nominal Income of the Country.†
1 „ .....	£16,061,013 .....	10 $\frac{1}{8}$ per Cent....	6 $\frac{1}{2}$ per Ct.
2 „ .....	21,551,044 .....	13 $\frac{1}{2}$ .....	8 $\frac{1}{2}$
3 „ .....	27,286,180 .....	17 $\frac{1}{2}$ .....	11 $\frac{1}{2}$
4 „ .....	33,559,090 .....	21 $\frac{1}{2}$ .....	13 $\frac{1}{2}$
5 „ .....	40,990,550 .....	25 $\frac{1}{2}$ .....	16 $\frac{1}{2}$
6 „ .....	46,880,316 .....	29 $\frac{1}{2}$ .....	19
7 „ .....	54,532,150 .....	34 $\frac{1}{2}$ .....	22 $\frac{1}{2}$

According to this computation a total Produce of Duty exceeding by £7 or £8 millions the Net Receipt of the present Revenue of Great Britain may be obtained at an average rate of charge not much exceeding  $\frac{1}{3}$  of the Net Income attainable for charge, and at an average rate of charge between  $\frac{1}{4}$  and  $\frac{1}{2}$  of the whole nominal Income of the Country.†

The average rate of increase of each Scale beyond its next inferior Scale is between 3 and 5 per Cent. of the Income assumed as attainable for charge, and between 2 and 4 per Cent. of the estimated Total Income of the Country, the additional imposition of which at due intervals would not, it is conceived, occasion any generally inconvenient change, particularly as the abolition of other Taxes of *more* than an equal amount might take place at the same time.

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\* £158 $\frac{1}{2}$  millions.

† The nominal Income is taken at £245 millions. To £200 millions the estimated Gross Income of the Trade and Agricultural Classes, including Wages, that is, the Real Income, is added £45 millions the estimated Income of the Public Creditors and Public Servants.



*Proposed exclusive Tax on Persons in Trade and Professions as  
a Substitute for a Tax on the Profits thereof.*

It may be more desirable than practicable to effect any scheme of a Tax on Persons in Trade, &c.\* to be borne by them exclusively, which shall be equal as respects them relatively to each other and bear a due proportion to the produce of a Tax on the Incomes of the other Classes and which shall also be unobjectionable in the mode of carrying it into execution.

A Tax might be imposed on Merchandize, Goods, or Stock in Trade, to be regulated by a valuation thereof and by the conceived general rate of Profit in the respective Trades, &c.; but, as already observed, such a Tax would not operate with generalness and equality; for, as Stock is a variable and uncertain criterion of the comparative Profits of different Trades, and as some require little or no Stock, depending more on skill and labor, the different rates by which the Profits of the several branches or concerns in Commerce, Manufacture, Trade, &c. should be taxed, could hardly be maintained in their due proportion. The inquisition of Stock might be attended with obnoxious proceedings; deductions for losses, bad debts, &c. could not be set off without all or much of that disclosure and investigation which are held out as obnoxious in an Income Tax. A Tax on Goods, Stock, &c. might therefore be more unequal than a direct Tax on Profits, and the procedure be fully as objectionable, Profits derived from the exercise of the Professions or from the pursuit of the Arts, and other avocations of that nature, could not of course be attained by any such criterion, and they would be left wholly untaxed.

The possibility of devising a substituted Tax must, it is presumed, exist in some means of charging it directly on the private Expenditure of Persons in Trade, &c. There appear however no objects of private Expenditure which can be reached so well by a direct Tax operating exclusively, and the knowledge of which is

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\* This would comprehend all Persons who would be chargeable by the Rules of Schedule D. if the Income Tax were extended to them.

so attainable, as the articles in general which are now the subject of Assessed Taxes; it may therefore be proposed to revive, with respect to Persons in Trade, &c., a Tax upon the plan of the Aid and Contribution Act or Additional Assessed Taxes of the year 1798. By this Tax parties were charged at additional progressive rates on their Assessed Taxes of the preceding year.

In respect of Horses, Servants, and Carriages, if the total Amount of the Duties thereon was under £25 per annum, a Person was charged at 3 times the amount; if the Duties exceeded £25, the additional Charges were fixed at Progressive Rates from 3 to 5 times the Amount. Exemptions were granted in favor of Horses and Carriages used for Travelling Post, or let out for Hire, &c. In respect of Houses and Windows, if the total Duties charged were not less than £1, and were under £20, Parties were charged progressively from  $\frac{1}{4}$  to 3 times the Amount; if the Duties exceeded £20, the Rates proceeded from  $3\frac{1}{2}$  to 5 times the Amount. Houses let out in Lodgings, or used partly as Shops; also Inns, Public Houses, Boarding Schools, were charged at less Rates, viz.—if the Duties were not less than £3 and were under £20, the additional Charges proceeded at progressive Rates, from  $\frac{1}{10}$  to an equal Amount, and if the Duties exceeded £20, the Rates proceeded from an equal Amount to twice the Amount thereof.

Persons proving their total Incomes to be less than £60 were exempted. If their Incomes exceeded £60 and were under £200 they were entitled to Abatements, and if the Income exceeded £200, the additional Duties were reduced to one-tenth thereof: Assessments so abated became in fact a Tax on Profits or Income. With reference to all such cases, whether of persons having no other source of Income than Trade or of those possessed of other Income contributing to the Income Tax,\* who might be chargeable to the Assessed Taxes beyond the sum at which their Profits of Trade, &c. would have been chargeable to the Income Tax, either the par-

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\* This mode of charging Persons, partly by a Duty on their Income, and partly by the Duties on Articles of Assessed Taxes, would not be without precedent; as under the Income Act of 1799, subjects of His Majesty, having only a temporary Residence in Great Britain, were chargeable for that part of their Income only which arose from

ties must forego any abatement of Assessed Taxes, or to obtain it they must submit to a disclosure of their Income from Trade, &c. It would seem therefore, that in such cases there would be only a choice of alternatives. But if the additional Assessed Taxes were imposed at such rates as to yield a moderate substitute for a direct Tax on Profits of Trade, &c. it is apprehended that very few cases of such a description would arise; they would be confined mostly to those of mixed Incomes, where the amount of Profits from Trade were small compared with the amount from other sources.

If the plan of Assessed Taxes should be resorted to, not with the view of obtaining from Persons in Trade, &c. in general more fair contributions than a Tax on their Profits would yield, but for the sake of avoiding the proceedings which the latter mode of Taxation would subject them to, parties disregarding that consideration might be allowed to declare their option in the first instance to be charged on their Profits without being subjected to any additional Assessment on their Houses or Establishments, and to the necessity perhaps of ultimately appealing against it on the ground of the amount of their Profits.

Any calculation of the additional Rates of Charge of Assessed Taxes on a graduated Scale necessary to bring the Classes in Trade, &c. to an equality with the other Classes taxed on their Incomes, must be very vague. Much official information must be previously obtained for settling the gradation in an equitable manner.

The following suppositions may probably help to approximate the Average Rate of Charge of additional Assessed Taxes (from which a graduated Scale may be deduced) in case of a low Scale of Income Tax on other Classes.

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their *Property* in Great Britain, and were also chargeable under the Aid and Contribution Act, which was kept in force for the purpose, but if in consequence of both Charges their whole Income, as arising from every species of Property they possessed in Great Britain, or elsewhere, was charged above the just proportion, they were released from the Excess.

		Millions.
The total Gross Charge of the 1st or lowest Graduated Scale of	}	£17
Income Tax in this Work exceeds.....		
The estimated Proportion thereof under Schedule D. is one-fifth.....		3½
The total Gross Charge to the Taxes on Houses and Windows for the	}	£2½
Year 1830, rather exceeded .....		
Ditto on Servants, Horses, Carriages, &c. amounted to nearly.....		£1½
The Total Gross Charge of Assessed Taxes 1830 .....		£4½
Suppose that the proportion of such total Gross Charge imposed	}	£1½
on the Trading and Professional Classes, was about ⅓* or.....		

In order to raise by an increase of the present Assessed Taxes the due proportion from Persons in Trade, viz. £3½, they should contribute on an average between double and treble the amount charged on them in 1830. To obtain a graduated Scale, progressive rates from 1 to 5 times the amount might be imposed, or adopting the classifications and gradations of charges observed in the Aid and Contribution Act, a lower series of Rates would be imposed on Houses and Windows than on Horses, Servants and Carriages.

	Millions.
The Aid and Contribution, or additional Assessed Taxes, 1798, produced about .....	} £4
The Assessed Taxes of 1797, on which they were founded, produced	} £2½
viz. on Horses, Servants, and Carriages, about £1½ millions	
On Houses and Windows, nearly..... £1½ „	
If the Scales of Charges pursued under the Aid and Contribution Act were adopted with respect to the Assessed Taxes of 1830, the Amount would be about .....	} £6

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\* It is conceived that this is a low Estimate, but the actual Amount might be soon ascertained without any difficulty from the Returns of Assessed Taxes delivered by these Classes.

	Millions.
The additional Assessed Taxes to be paid by the Trade, &c. Classes,	} £2
might, if raised by the same Scale of Charges, be estimated to produce .....	

It may then be estimated that much less than double the Rates of the Scale of 1798 would be sufficient to raise from Persons in Trade, &c. their required amount of £3½ millions.

If an Income Tax on other Incomes according to a higher Scale were resorted to, the Rates of additional Assessed Taxes would be proportionably increased on Persons in Trade, &c.

If the Assessed Taxes were not repealed with respect to other Classes, either the present Rates of Charge might be continued with respect to Persons in Trade, Professions, &c. and the Assessments they produced be taken as a basis on which the additional Assessments should be charged, or combining the present and the additional Rates, a single series of Rates producing the same result might be formed.

The present Assessed Taxes include Duties on Travellers, Shopmen, Warehousemen, Porters, Clerks, Book-keepers, &c. also on Horses used in Trade, Servants, Horses and Carriages let to Hire, amounting to about £½ million, which are paid wholly by Persons in Trade, &c. As the number of these Servants and Articles may afford some criterion of the extent of Profits of Trade, it might seem desirable to charge them at the same additional rates as all other articles, but the employers would thereby be charged disproportionately with other persons whose articles of trade are not liable to the Assessed Taxes, and it would probably be most just and fair wholly to exclude them from the additional Assessments, and to confine the latter to articles comprehended within the private expenditure of the parties.

If Abatements on account of Children were granted out of the Duties on Income, the same indulgence should be allowed in respect of the additional Assessed Taxes.

Relief from the present indirect Taxes might induce, as it would enable many individuals in Trade, &c. to increase their expenditure in respect of the articles subject to Assessed Taxes if any very high scale of exclusive Taxation were not imposed on them. Some

of the parsimonious could hardly be made to contribute their fair proportion by any mode of Taxation depending on their Expenditure, but it may be observed that whatever part of their savings were laid out in the purchase of Property, would, by increasing their Income derived therefrom, render them liable to a greater amount of Income Tax. Means might perhaps be devised, by extending the Rules of Charge to Assessed Taxes, to involve many of this description of persons in assessment, so as to obviate in some degree their escape from their due contributions. As such persons are mostly Bachelors without families or establishments, they might be made chargeable in respect of the Rents they pay and of the Windows of the Houses or parts of the Houses they occupy at double or treble the rates charged on married men; a proportion of the total value of the Furniture used by them might be added to the Rent. Not much objection to the substitute Tax would arise with respect to Absentees, who, not occupying Houses or keeping Establishments in this Country, are not chargeable to the Assessed Taxes, for as they are not in general concerned in Trade, Professions, &c. their Incomes are so derived that the contributions due from most of them would be secured by the Income Tax.

If any Person in Trade shall have compounded for a term of years under Acts now in force for the Assessed Taxes on their private Establishments (articles used in Trade being excluded from Composition), either the amount of such Compositions might be increased in a due ratio, or the parties might be charged by additional and distinct Assessments, which additional Assessments, unless they were afterwards allowed to compound for them, should be subject to increase or diminution according to the changes which the parties might make in their respective Establishments. Persons who have not compounded for any part of their Assessed Taxes, might be at liberty to compound for a term of years for both old and additional Assessments.

As the additional Assessed Taxes and the Income Tax would be raised by the same establishment of Officers, the further expence of levying the former would be inconsiderable.

If the substitute of the additional Assessed Taxes for a Tax on the Profits of Trade, &c. should not be approved as a general

measure, and if under a well founded opinion that most Persons in Trade and Professions are not so averse to such a Tax, or the procedure of it, as the violent opposers of it hold them out to be; and a general Income Tax should be imposed as most just and expedient, it may still be a considerate regard to any of those in Trade who do entertain strongly an aversion to such a Tax to give them the option of being charged in lieu thereof to the Assessed Taxes, or additionally to them. As this option might give an undue advantage in cases of Persons with large trading Incomes and small private Establishments, there should be a power to refuse the option, or the Parties might make offers, as to the rate or additional rate of Assessed Taxes to which they should be charged, the power should be to reject the offers, if unsatisfactory, also to propose, and if the Parties consent, to fix higher rates of Charge. This alternative mode might be at first attended with difficulty, but though the amount of the Income in the cases embracing it would be disclosed, all inquiry into the particulars of it would be avoided.

*On raising an Income or Property Tax in Ireland.*

The consideration of an Income or Property Tax in Ireland may be submitted, not only with a view to the benefit which a remission of the present Taxes would afford to its trade and interests in general, but to the greater expediency of such remission if the present Taxes were superseded to a large amount by an Income or Property Tax in Great Britain, especially any such as now affect the mutual Commerce of the two Countries.

With respect to the practicable means of raising an Income or Property Tax in Ireland, it may be observed that direct Public Taxation in that Country has ceased since the year 1823, when upon the very great reduction of the Assessed Taxes in Great Britain it was deemed expedient, as the Assessed Taxes in Ireland had previously been so far reduced that but an inconsiderable amount remained, wholly to repeal them in that Country. It appears however that a Revenue can be raised by direct Taxation in Ireland: the former system may have been imperfect in practice, but it might, if again tried, be capable of improvement, particularly if an

Income or Property Tax were to be the object of levy. If Poor Rates should be established in Ireland there would be less objection to the introduction of an Income or Property Tax.

Small as the proportion of the Tax on Income derived from Trade and Manufacture in Great Britain might bear to the proportion raised from Income derived from other sources, the proportion in Ireland would it is conceived be much smaller, and nearly the whole of the Tax would be raised from the Rental and Profits of Lands and Houses. It has been stated that the Landlords of Ireland, including Sub-Landlords, obtain a very much larger proportion of the produce of the Soil than is the proportion of the produce of the Lands in England which is enjoyed by the Owners of them—the circumstance, that so very large a proportion of the Income of Ireland goes to unproductive Members to the discouragement of industry and cultivation, calls strongly for an Income or Property Tax in that Country, particularly as so great a portion of the Produce is expended out of it by Absentees. Among the advantages of the Tax, there would be an essential one; most Absentees would contribute more to the Revenue than the present Taxes draw from them, and so much more of their Rents would be retained and expended in their own Country.

It has been considered by some that an Absentee Tax would be beneficial to Ireland by encouraging the residence in that Country of a greater number of its Landed Proprietors, but any fair practicable scheme of such a Tax has not, it is believed, been proposed. Without discussing here the justice or policy of a Tax for that specific purpose, though observing that it would be unfair to the absent Landlords of Ireland if not extended to those of Great Britain, it may be submitted, if such a Tax would be just and politic in either Country, an Income or Property Tax would afford the fairest practicable means for it. Total absence of the Owner, or an absence exceeding a certain large portion of the year from the Country in which his real Property is situate (such absence not being required for the Public Service) might be the ground of a certain increase of the general rate of the Tax on that Property; the maximum extent of Absence and the increased rate of Duty to be determined by fair and liberal considerations.

Irish Residents in Great Britain were liable under the late Pro-



erty Act for their Remittances from Ireland, but it was extremely difficult to obtain in general due Returns of them. An Income or Property Tax in Ireland would of course take off such liability in this Country.

Although the population of Ireland may be taken at one-third of the population of the United Kingdom, it is conceived that the Income of Ireland should be estimated at a much less proportion of the total Income of the whole Kingdom, particularly that part of it which would be subject to an Income Tax. The value of the private productive Property of Ireland was estimated by one Writer\* in 1812 at one-fifth of the amount of the Property of the United Kingdom; without giving a separate estimate of the Income of Ireland, he computed the Total Income of the United Kingdom at £430 millions; assuming the proportion of Ireland was one-fifth of the Income of the whole Kingdom, it would appear that at the latter end of the late War the total amount of Income in Ireland considerably exceeded £80 millions. Other Writers have estimated the Income of Ireland at £70 millions. Suppose that the present total Income of Ireland be no more than £50 millions, and that one-half of it, £25 millions, would come within the operation of an Income Tax, that is less than one-sixth of the Income estimated as attainable for charge in Great Britain. Suppose that the general Rate or the series of Rates of Duty to be imposed should be so limited as to produce an amount not exceeding one-twelfth of the estimated Net Receipt of Duty in Great Britain on the highest graduated Scale, that is, about the proportion which the present Revenue of Ireland bears to the Revenue of Great Britain.

By the Public Accounts ending 5th January, 1831, it appears that

The Total Amount of the Ordinary Revenue of Ireland after deducting the Charges of Management was.....	} £3,626,086
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The Charges of Management (£603,690), were at the rate of above 14 per Cent. of the Net Receipt. When the Assessed Taxes were at their highest annual amount, viz. about £ $\frac{3}{4}$  million, the rate of charge of collecting them was 11 $\frac{1}{2}$  per Cent.

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\* Colquhoun on the Wealth of the British Empire.

Estimated Total Amount of Net Receipt of Income Tax for } Great Britain at the 7th or highest Scale .....	} £54,532,159
The estimated Net Receipt of the Tax for Ireland at $\frac{1}{3}$ of the } Amount of Great Britain.....	} £4,544,346
Charge of Collection at 12 per Cent.....	545,321
Total Amount of estimated Net Produce for Ireland	<u>£3,999,025</u>

The average Rate of the Net Receipt of the Tax under the highest graduated Scale on the total assumed chargeable Income for Great Britain is nearly 35 per Cent.; the average Rate of the Net Receipt for Ireland, computed on the amount of the assumed chargeable Income, would be about 18 per Cent. and it would be considerably less than 10 per Cent. of the total Income of the Country taken on the very lowest estimate.

Whether from want of Capital, or of Industry, or from disinclination to pursuits in the way of Trade, or from whatever cause, the generality of the Irish have a stronger predilection for Agricultural Life and Employment, a bias, probably, prejudicial to the general interests of the Country, which may be best promoted by an extension of Trade and Manufacture, it may be most politic to impose a *Property Tax*, and not an *Income Tax*, in Ireland, and thus give to the means of that extension whatever encouragement favor in taxation can afford. In Great Britain exemption from an Income Tax in favor of Trade may be expedient, whether just or not, as a boon to the prejudices of many concerned in it—in Ireland it may be indispensable as assisting a depressed source of Income, which it may be of vital importance to raise from that state: this may also be a politic way of throwing a greater burthen on unproductive Landlords and Absentees.

*Abstract Recital of the several different Plans or Scales of Charge to an Income Tax or Property Tax, submitted in this Work.*

The different plans of raising an Income Tax or the different Scales of Charge to such a Tax, which have been discussed or ad-

verted to in the preceding part of this Work, are 1 to 9, inclusive of the following, viz. :—

1. Two graduated Scales of Charge, one applicable to Income derived from Property, the other to Income derived from other sources, each classified according to the amounts of the aggregate Incomes of the Parties under both divisions, and extended to the highest Classes of Income : the Scale for Income derived from Property charging each Class in it at a higher rate than is charged on the corresponding Class of the other Scale. (p. 218.)

2. One and the same graduated Scale of Charge applicable to both denominations of Income united in one aggregate. (p. 237.)

3. One Scale of Charge as under the late Property Act, charging all Incomes at the same general rate, excepting Incomes less than £150 connected with Industry and Labor. (p. 240.)

4. A general Rate of Charge on Incomes derived from Property of whatever amount, and a general Rate of Charge on Incomes derived from other sources, and exceeding £150, the latter general Rate to be lower than the former ; Incomes derived from other sources, and not exceeding £150, to be charged at a still lower general Rate or at a low graduated Scale. (p. 242.)

5. Incomes of different denominations, to be charged at rates proportionate to their Relative Value, Incomes of the same denomination being charged at the same general Rate or by a Scale graduated according to the total Amount of the Party's Income from every source. (p. 244.)

6. A Tax limited to Income derived from Property Real and Personal viz. *a Property Tax*, properly so called. (p. 252.)

7. A Tax excepting only Income derived from Trade and Professions, and substituting for a Tax on that Income an addition to the Assessed Taxes on persons engaged in Trade, &c. (p. 262.)

8. A Tax on the Capital instead of the Profits of Trade. (p. 257.)

9. An Income Tax on all Income whatever, or a Tax on the Income of all Property, attainable *in effect*, by raising a Tax on Real Property only, that is, by a Land Tax. (p. 258.)

*The following 10th, 11th, and 12th Plans or Scales now offered for consideration are not submitted in the preceding part of this Work.*

10th. If it should be deemed expedient to charge at one and the same general Rate all Income derived from Property (Schedules A. and C.) and to confine the graduated Scale of Charge to Income derived from other sources (Schedules B. D. and E.) it might be suggested, as a means of simplifying that graduated Scale and facilitating the operation of it, that every person should be charged under the three Schedules, to which only it would be applied, according to the total amount of his Income coming within those Schedules, without regard to his *aggregate* Income under all the Schedules. On such a plan, though it might appear, as, for instance, in the case of two persons possessed of Incomes equal in amount under Schedules B. D. and E. that if one only of them possessed also Income from Property under Schedules A. and C. that one ought to be assessed at a higher rate than the other for his Income under Schedules B. D. and E., yet it is conceived that the excess of the general and higher Rate of Charge on the former for his Income under Schedules A. and C. might be a sufficient equivalent. The greater the proportion of Income under Schedules A. and C. and consequently of the Tax charged at that general and higher Rate, the greater would be that equivalent. A recommendation of such a Scale is, that it would not give rise to so much objectionable procedure or exposure of circumstances as the graduated Scale formed according to the *aggregate* Income under all the Schedules, and yet if the Rates of Charge under Schedules B. D. and E. were duly graduated and were fixed with fair relation to the general Rate under the other Schedules, it might operate fully as equitable as the graduated Scale applied to all the Schedules. It would seldom happen that any person chargeable under Schedules B. D. and E. would be chargeable under more than one of them; but in any such cases the abated charge might be made either according, as above proposed, to the *aggregate* amount of Incomes under those Schedules, or to the amount under each distinctly, as might seem most just or expedient; the latter mode would occasion the least trouble and disclosure, but might be too favorable to the parties.

The following Table is offered solely for the sake of illustrating the proposed Scale, not as pretending to exhibit the Rates of Charge under the several Schedules in a due relation to each other. The general Rate of Charge on Income under Schedules A. and C. is, in this illustration, supposed to be 20 per Cent.

Total Income. £	Schedules A. and C.			Schedules B. D. and E.			Total Tax. £
	Amount of Income. £	Tax at 20 per Cent. £		Amount of Income. £	Rate per Cent.	Tax. £	
200 ....	—	—	....	200 ....	7	14	14
250 ....	—	—	....	250 ....	8	20	20
250 ....	100	20	....	150 ....	6	9	29
250 ....	150	30	....	100 ....	5	5	35
250 ....	250	50	....	—	—	—	50
350 ....	100	20	....	250 ....	10	25	45
350 ....	250	50	....	100 ....	5	5	55
400 ....	200	40	....	200 ....	7	14	54

The abated Scale under Schedules B. D. and E. as taken in this illustration might be supposed gradually to rise as Income rose in Classification until it had reached the general Rate of Charge under Schedules A. and C.—say, at Incomes of £1,000. All Incomes under Schedules B. D. and E. exceeding that amount might be charged at the same general rate as those under the other Schedules.

1 h. A variation of the foregoing Scale might be made on the principle, that although it would be just to charge Income derived from Property at a higher rate than Income derived from other sources, yet it would not be so just to charge at the same rate all Incomes of whatever amount, under Schedules (A. and C.) as to charge the amount under each Schedule on a Scale graduated according to the amount of the Income derived under that Schedule or to the aggregate of both Schedules.

12th. The 1st plan of the foregoing series, viz. "Two graduated Scales of Charge" might be varied by a plan which should charge, first, both denominations of Income in the aggregate by a Scale graduated according to the aggregate amount of both; next it should charge distinctly that part of the Income which is derived from Property by such additional rate (which additional rate might be either graduated or general), as might be deemed a

## SUPPLEMENT.

(To follow page 275.)

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*Upon a Tax imposed on Property exclusively, and regulated, not by the Income, but by the Value thereof: Also upon a Graduated Property Tax.*

As an addition to the Abstract Recital just given (p. 271—275) of various Plans of Charge to an Income and Property Tax, it may be worth while to advert to two other Plans which have been noticed in the parliamentary and public discussions respecting the substitution of an Income or Property Tax for other Taxes, which have taken place since this Work was published.

A periodical Review\* discusses a Property Tax, as its name may imply it to be, that is, as a Tax on the Property itself, not as a Tax according to the extent of the Income or Proceeds, but as a Tax to be regulated by the value of Property, including all descriptions of Property.† The objections adduced against such a Tax are, that as the quantity of Stock or Capital in hand varies in the course of the year, there would be the difficulty of fixing the proper time at which the valuation should be made—that it would lead to a concealment of Property or to the employment of it in an underhand manner; that though a Tax on the Income (for which the Review expresses a preference) might certainly induce a concealment of its amount, yet it would not tempt to an inferior employment or process of the Capital or Property from which the Income is derived, that the Tax would affect Capital and Property whether productive of Profit or not, and disproportionately to the degree of Profit. Much stress might also have been laid on the inquisitorial and vexatious nature of the proceedings necessary in ascertaining the value of Property and Capital; but the conclusion of the Reviewer is thus stated,

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\* Edinburgh Review, April, 1833.

† Vide Note page 2 with respect to the Name given to the late Tax.

that "under the pretence of equality, taxes proportioned to the property or capital of individuals are, from the impossibility of ascertaining its amount, about the most unequal that can be imagined, while, from their pernicious influence on industry, they become the most prolific sources of poverty and dissatisfaction." With respect to a Property Tax on the Properties of Landowners, Fundholders and Mortgagees, which, if restricted to them might not have the effects just anticipated, such a Tax is treated by the Reviewer as flagrantly unjust to those Classes and as more destructive in operation than if extended to all sorts of Property; it is argued that possessors of other Property, as Manufacturers, Merchants, &c. are in a better condition generally than Landlords and Fundholders, the opulent of whom, Landed and Funded Property being much subdivided, are not so numerous as supposed, and the Tax would fall mostly on the middle and inferior classes.

As suggesting a Plan preferable to a Tax on *Property* according to the value thereof, reference might be requested to a preceding Head (p. 244) proposing a Tax on *Income* according to the value thereof; the latter being capable of a more equal and impartial imposition and less injurious in operation, if not also less obnoxious in procedure.

The objections urged by the Reviewer to the substitution of either a Tax on Property or a Tax on Income for the present Taxes, are, it is hoped, sufficiently met or satisfactory remedies of them are suggested in this Work. As to any difficulty in the choice, it may be as impossible to select that particular *Plan* of Income or Property Tax, as it is to impose any other kind of tax, which shall give universal satisfaction; but supposing even that such an Income Tax were imposed as would not allow any distinction in respect either of the quality or of the amount of Income, its injustice in those respects would not be greater than the present taxation inflicts, important however as is the capability, which an Income Tax possesses, of making such distinction, and which the present mode of taxation is destitute of, its superiority does not depend on that advantage alone, but materially on other advantages of serious importance which are discussed in the preceding pages.

Of a *Graduated* Property Tax, meaning a Tax on the Income

derived from Property but confined to Income of Property in Lands and the Funds, ~~some notice seems~~ likewise necessary, it having been strongly recommended. As the late Property Tax charged all Incomes derived from Property at the same rate (with some few exceptions \*) there were not any proceedings for ascertaining the aggregate of those Incomes such as would be indispensable in case of a graduated Property Tax where the Property of an individual was dispersed in various places or consisted of more than one sort, all the several parts must in that case be combined in order to settle the graduated rate of charge on the whole, and nearly as much disclosure and inquisition might take place as would be occasioned by a graduated Income Tax; such a Property Tax would appear also open to the objection of great inequality, unless it were regulated by a regard to the Incomes of the parties from *all* sources, for it may be asked, whether if a man possessed Rent of Land or Houses or Interest of Public Securities to the amount of £200 and derived also £1000 from Trade or Profession, he should be taxed at no higher rate in respect of the former than an owner of Land or Funded Property whose whole Income, derived exclusively therefrom, was no more than £200: if it would be most fair that, in this supposed case, the trading or professional Income should be included in the Return in order to determine the rate of Charge, making the total Income £1200, then it might be asked, would it be just to tax the landed or funded portion, viz. £200, at so high a rate of charge in the graduated scale as should attach, in another supposed case, to an Income of £1200 derived wholly from Property, or in what way should the just distinction between the different cases be established; if Trading and Professional Income were included in the Return of Income, then, by its increasing the rate of charge on the Income from Property, it would be in reality charged to the Tax, and all the objections to a general Income Tax would thus be experienced though such a Tax were not expressly imposed.

As however it has been alleged by the opponents to a *graduated* Property Tax that it would be tantamount to an equalization or rather a confiscation of Property, and an unjust sacrifice of

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\* Vide Note page 203.



the Rich, it may be observed (reverting to former argument, page 218) that there is a wide difference between the imposition of a Tax (whether it be a Property Tax or an Income Tax) *in lieu* of other Taxes and the imposition of it *in addition* to them; in case of its substitution for other Taxes, then, with a view to regulate it justly, it may be inquired how do those Taxes now operate on the rich and on the middle and poor classes respectively: in apportioning the new burthen some consideration should be had to the degrees of relief from the old burthen which the different classes would respectively receive: do the higher classes contribute to the present Taxes in the *increasing ratio* in which a graduated Property or Income Tax would bear on them, or in proportion only to the amount of their expended Incomes beyond those of inferior amount, or do they contribute less in proportion to the amount of their Incomes than the inferior classes contribute? It may perhaps be answered, that the proper question is not what the rich *do* pay but what they *ought* to pay; whichever may be the proper way of viewing the question its importance is in principle only, for it must be borne in mind that the bulk of the public Revenue will necessarily be derived from the vast number and aggregate amount of middle and inferior Incomes, not from the large individual amounts of a comparatively few: to repeat a former observation, "the larger the portion of the whole Income found among the lower classes the higher must be the graduated Scale."\* A Property Tax charging in all cases at the same general rate, would also, as not involving a consideration of the Incomes of the parties from every source, produce an unequal effect; but a graduated Property Tax would not only fail of curing that evil and in all probability would increase it, but it would certainly be attended with the additional one of inquisitorial and vexatious procedure.

proper addition to the burthen to be thrown on Property. The following Table is offered by way of illustrating a plan of this description without pretending to exhibit such a progression of Rates of Charge as would be most fair and expedient in practice. The additional Rate proposed in each Class is, in this illustration, the same as the graduated Rate of Charge in that Class, the effect of which is, to double the graduated Rate of Charge in respect of that part of the Income in each Class which is derived from Property.

Total Income.	Graduated Scale of Charge.	Amount of Tax on graduated Scale.			Proportion of Income derived from Property.	Additional Tax on ditto.			Total Amount of Tax.		
£.		£.	s.	d.	£.	£.	s.	d.	£.	s.	d.
60 ..	1 per Cent.	0	12	0 ..	15 ..	0	3	0 ..	0	15	0
100 ..	2 ..	2	0	0 ..	20 ..	0	8	0 ..	2	8	9
200 ..	3 ..	6	0	0 ..	50 ..	1	10	0 ..	7	10	0
300 ..	4 ..	12	0	0 ..	100 ..	4	0	0 ..	16	0	0
500 ..	5 ..	25	0	0 ..	— ..	—	—	— ..	25	0	0
1000 ..	6 ..	60	0	0 ..	500 ..	30	0	0 ..	90	0	0
1500 ..	7 ..	105	0	0 ..	300 ..	21	0	0 ..	126	0	0
2000 ..	8 ..	160	0	0 ..	2000 ..	160	0	0 ..	320	0	0
2500 ..	9 ..	225	0	0 ..	700 ..	63	0	0 ..	288	0	0
3000 ..	10 ..	300	0	0 ..	1000 ..	100	0	0 ..	400	0	0

This graduated Scale, as compared with that of which it is a variation, makes a distinction between Income derived from Property and Income derived from other sources which appears more simple and better defined. It would however make no variation in the procedure necessary for carrying it into effect.

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through the channel of Taxation, and neither will in reality be richer or poorer.

To exonerate Estates from annual Taxation by disposal of parts of them would doubtless be beneficial to Holders of Lands, &c. it would be as an investment of Capital at the usual rate of Interest on the best possible security, their own Property; though they would surrender parts of their Estates, they would suffer no loss of Income; the measure would also convert the Fundholder into an Owner of real Property, put the Mortgagee into possession of a due part of the Property mortgaged, and by thus changing the nature of the Property of the Public Creditors it would render it more substantial and would free them from dependance on the annual levy of Taxes out of the pockets of others, forming altogether a most satisfactory mode of adjustment of the Debt between the Creditors and the Debtors.

As the change would be desirable with respect to the Fundholder, so should it be with respect to the Owner of Real Property. In giving up a part, he would not only be relieved from Taxation in respect of the rest of his Estate, but the value of the part thus exonerated would be equal to the value of the whole Estate before exoneration.

The present Land Tax is a charge on the Rent only; but the plan of Redemption of Income or Property Tax might be extended to the charge on the Profits of Occupation;\* in such case the Owner or other person redeeming or purchasing might have the election to redeem or purchase that part jointly with the Tax on the Rent, or to decline the redemption or purchase of the Occupation Tax, leaving the occupier subject to annual charge and payment of that part of the Tax.

If an Owner redeemed the Occupier's Tax he would be entitled to demand it of the Occupier as so much additional Rent; if the Occupier redeemed it, the Estate at the end of his lease would be-

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\* This suggestion is offered in case the Charges on the Rent and Profits, viz.—on the Landlord and Tenant, be not consolidated into one as proposed under a preceding head, p. 175.

come charged for the benefit of himself and representatives to the amount of the Tax redeemed.

The length of time necessary for payment of the Consideration for redemption of Income or Property Tax on an Estate might, unless part of it were sold for the immediate accomplishment of the bargain, depend on the amount of the Consideration compared with the total Value or annual Profit of the Estate or on any other resources possessed by the party. In case of an Income Tax on a high scale, and if the party proposed to redeem the Tax on the whole of his Property, and that Property constituted the whole or the greatest part of his Income, a long period for paying the Consideration would be necessary. The number of the Instalments should be at the election of the party, providing that Interest were paid on each Instalment after the first, at such rates as are payable on redemption of Land Tax by Instalments. As soon as the party had paid one Instalment, the Estate should be no longer subject to annual Assessment.

Suppose the Consideration to be equal to 30 years purchase, and to be paid by 20 yearly Instalments, then the annual Payments would be  $1\frac{1}{2}$  year's Tax, together with the interest, the amount of which would diminish on each successive Instalment; the Interest would be equal to the Tax redeemed, deducting therefrom a sum bearing the same proportion to the amount redeemed as the amount of Stock transferred or number of Instalments before paid would bear to the whole amount of Stock or number of Instalments agreed to be transferred or paid. Interest would of course be justly chargeable as in other cases of pecuniary transactions where the object of purchase is at once obtained, but the payment of the Purchase Money is deferred to a future period.

The mode of redemption may be varied to suit the particular circumstances or inclinations of different persons. There was a provision for the redemption of Land Tax in the way of additional Assessment by payment of an annual sum, equal in amount to the Land Tax to be redeemed, during the term of 18 years certain, or until the money raised by such additional Assessments should, with the accumulating Interest arising from it, purchase Stock equal to the usual Consideration for redemption, the exoneration of the Estate commencing in one case on the completion of the

term of 18 years and in the other on the accumulation of the required sum of Stock. Some parties would probably prefer such a mode of redemption of Income Tax, but they might have the option to be additionally assessed for a larger or a less sum than the amount proposed to be redeemed, the term of such Assessment in that case being necessarily shorter or longer.

It might however not make much difference in the end, in respect of the total amount paid for the Redemption, whether it were effected by paying the Consideration by Instalments, with Interest, the annual Assessments ceasing on Payment of the first Instalment, or whether by additional Assessment, the usual annual Assessment being continued during a certain term: the difference would be in the procedure, in the one case all operations of Taxation would at once cease, in the other they would be continued for a limited time.

Instead of entering at once into a Contract for the redemption of any particular amount of Tax, a person might be allowed to pay to Government any Sum of Money whatever by instalments (however unequal) and at any periods (however irregular) which might be most convenient to him, the same to be vested in the Funds in his behalf, and to accumulate for the purpose of redeeming, at any period afterwards, to be determined by him when it shall arrive, such sum of Income Tax as the accumulated amount of Stock should be equivalent to, and for exonerating any Estate which he may now or hereafter possess on which such a sum of Income Tax should be charged. One benefit of this arrangement to the party would be, that after purchasing Stock for this particular purpose he would be secured against the disadvantage of a rise in the price of Stock which he might have to meet if he waited until he entered into a contract, and would also be secure against his own less advantageous expenditure or application of his money.

It is submitted that the Consideration for the redemption of Income Tax should not be required to be more than would purchase an equal amount of Dividend in the Public Funds: for the Redemption of the Land Tax the Consideration is required to be such a sum of Stock in the 3 per Cents. as will yield a Dividend exceeding the Land Tax by one-tenth of it, the bargain is there-

fore a loss of Income to the Contractors; the high price of the Funds is regarded as operating against the measure, but that loss occurs equally whether the Funds be high or low. The excess of one-tenth may have been considered partly as necessary to defray the expence of the carrying the measure into effect, (which however it may be added that excess has far exceeded,) but such necessity would not exist, it is conceived, to near such a degree in case of the redemption of an Income or Property Tax, and whatever additional expence would be unavoidable might, considering the low rate of charge of collecting the Income Tax and the reduction which the measure would occasion in that charge, fairly be paid out of the general Revenue, thereby rendering the exoneration of the Income Tax and the price of it exactly equivalent to each other.

It may also be submitted whether, besides a rate of Consideration lower than the Land Tax Redemption Act offers, other advantages might not be granted for the redemption of the Income Tax. The right gained, under the provisions of the Land Tax Redemption Act, to votes at Elections for Members of Parliament is confined to those who purchase it as Strangers to the Estates charged with Land Tax. It might induce the redemption of much Income Tax if those authorized to redeem the Tax charged on Lands, Tenements, &c. of such a tenure as according to the Laws and Customs relating to Elections does not now confer on them the right of voting, should be entitled to votes in respect thereof if the sum redeemed were not less than 40s. or such higher amount as may be considered expedient.

Persons who purchase Land Tax on Estates in which they have no interest are subject to a mode of proceeding which is circuitous and troublesome, and probably attended with some expence not intended by the Act; their offers are also laid open to competition, for which purpose public notice of them is given, putting up the Land Tax in such cases as it were to the highest bidder. In case of the sale of the Income or Property Tax, strangers might be enabled to purchase on the same terms as persons interested in the Estates, with no other restriction than a previous notice to the Owners of the Estates to give them the opportunity to redeem

within a certain time, otherwise the offers of the strangers should be proceeded in.

It is conceived that every facility in the mode of proceeding and that liberal encouragement in the terms of redemptions and sale may with fair policy be offered to persons willing to redeem or purchase; whatever their motives, whether arising in any degree from public spirit or wholly from private views, as the individual bargain would be a general benefit it would deserve to be treated as a patriotic or a meritorious act.

### *Compulsory Redemption of the Tax.*

It has been before stated to be a great recommendation of the Scheme of Redemption and Purchase of an Income or Property Tax that it admits of a perfectly voluntary transaction on the part of the individuals entering into it. Any contemplation of rendering it an obligatory Act in any manner or degree must arise from the absolute necessity of reducing the excessive amount of the National Debt and from the expediency of imposing such obligation, as an alternative, in case the Redemption and Purchase of the Tax voluntarily were not carried to a sufficient extent; it may however be observed, that such an alternative expedient might be as justifiable as the levy of Surplus Revenue by annual Taxation for the specific purpose of liquidating the Debt—the Produce or Profits of Property as being forcibly attached by one as they would be by the other measure, and it may be immaterial to the real interests of the parties concerned whether their Property be burthened with an annual charge in perpetuity, or whether an equivalent part of their Property be taken in liquidation of the charge. The expedient may be also defensible on the principle which is constantly compelling the surrender of Property on equitable terms for public purposes in general.

Although it might be necessary that the plan of reducing the Public Debt by a redeemable Tax should comprehend extraordinary powers, subjecting Estates to its proceedings in some compulsory manner if parties did not to a sufficient extent volun-

tarily come forward to promote the measure; yet in order to avoid as much as possible resorting to an actual use of any such powers, it might on the same grounds, as parts of entailed Estates are, under the Act for the Redemption of the Land Tax, disposed of by the present holders for life, for the purpose of exonerating the whole from that Tax, be advisable, where Lessees or Tenants of Estates, whether entailed or not, have long terms therein, to empower them to sell parts of them for the purpose of redeeming the Income Tax on the whole; the beneficial interest in the Estates of such Lessees may generally be equal to that of the present Owners, individually considered, and as the persons in occupation of these Estates may be the most interested in getting rid of the burthen of Taxation on them and of the proceedings of the Income Tax, if constituting that burthen, such an expedient might be no more than a just regard to their situations and be a less obnoxious exercise of power towards the Owners, declining to take the necessary steps for redeeming, than any proceedings requisite for enforcing the measure on the part of the latter personally. The extraordinary powers given by the Land Tax Redemption Act for the sale of entailed Estates by those in present possession of them are subjected to proper restrictions, with a view to protect the interests of the Reversioners and to guard against any unnecessary or disadvantageous disposal of the Estates: so far as those powers have been exercised in releasing entailed Property, they have operated fairly and satisfactorily to the private Individuals interested and with benefit to the Public. It was observed in an Official Publication circulated with a view to recommend that measure, that

“ persons are by this Act only *enabled* to do what by every Canal  
 “ Act they are *compelled* to do and persons in remainder are *com-  
 “ pelled* to submit to. The principle that private inconvenience  
 “ must not prevent a great public benefit has always been ad-  
 “ mitted as a sufficient justification of this violation of right of  
 “ private property. It was undoubtedly necessary to the success  
 “ of this measure, from which the Public it is contended are  
 “ likely to derive such considerable advantage, that every avenue  
 “ should be opened to the Land Owners to procure money for  
 “ the purpose of redeeming the Land Tax. The principle must



“ surely be admitted as a justification in the one instance as much as in the other, and the interests of the persons in remainder are not less attended to in the one than in the other. With respect to powers of mortgaging and granting rent charges, it is only necessary to observe that the power of mortgaging under restrictions is given in almost every Inclosure Act; and as the rent charge to be granted cannot exceed the amount of the Land Tax, no injury can thence accrue to the remainder man.” The principle on which these powers have been granted (and the powers to levy annual Taxation out of Property in any way and to apply it whether to redeem the Public Debt or to meet other public exigencies are in consonance with it) might justify the disposal of private Property to any extent, whether in settlement or not, if absolutely essential for the purpose of reducing the Public Debt, and if granted under such regulations and restrictions as would guard impartially all private interests and secure to them advantages equivalent to the sacrifice demanded.

*Compulsory Redemption to be confined to Property on its changing hands.*

A scheme to *compel* either the surrender of such parts of Estates or the payment of such pecuniary consideration, to be otherwise raised, as would be adequate to exonerate them from the Income Tax charged on them, might be limited to Real Property on its changing hands; it might form a part of the plan of a redeemable Income or Property Tax, if the redemption of it voluntarily should not succeed to a sufficient extent, that on every change of the Owner of Property unredeemed, whether by purchase, by devise, or however arising, a portion of it should be surrendered for the purpose of redeeming all or a certain part of the Tax charged on the whole of it; in cases of change otherwise than by purchase, either the necessary quantity of the Estate should be sold or the new Owner should raise the Consideration by other means; in cases of change by purchase, the Purchaser would either pay the consideration for redemption or would pay so much more pur-

chase money to the Vendor, if the latter had previously redeemed the whole or required portion of the Tax; the Purchaser would in either case derive virtually the same amount of Income for whatever sum of money he might wish to lay out.

It is to be considered that this limited plan of compulsory surrender of parts of Estates would not deprive any one of Property which he had previously been in possession of, and it would not subject the new Proprietors to any loss of Income; although they would receive less nominal Income from their new acquisitions they would pay an equal less sum of annual Tax. On Purchasers of Property there would be no hardship, they might obtain a less quantity, but that quantity exonerated from the Tax would be of the same value as the greater quantity not unburthened of it; and on Inheritors the hardship would be more apparent than real, a permanent Tax being as a mortgage on an Estate, a portion of it might be considered as lost or useless to the new owner, which portion he might as well surrender as receive no real benefit from it.

If notwithstanding the limitation of the scheme, as a compulsory one, to Properties on changes of Ownerships, there should, from comprehending within it changes by devise and inheritance as well as changes by purchase, be a probability of such an extent of Property for sale at the same period of time that the value of it might be depreciated, to the impediment of the measure or to the detriment of the interests of the Owners; it might be advisable, particularly in case of a high Scale of Tax, to admit, at the option of the parties, of the redemption, on the first change, of a part only of the Tax charged, and of the redemption of the remainder on the succeeding change or changes; or instead of availing themselves of this option they might prefer the mode of a Contract for the total exoneration, to be fulfilled by Instalments within the longest allowed term. If the Contractor died before his Contract was fulfilled, his Successor in the Estate would be bound to complete it.

If a compulsory surrender of Property (in default of otherwise providing the necessary Consideration for redeeming the Tax) be applied to all Properties without waiting for changes in the owner.

ship of them, then in order that the simultaneous disposal of various Properties may not be disadvantageously extensive, it must be framed under restrictions regulating the progress at a very gradual and uniform rate: for this purpose either every County, District or Place might be required to effect annually the redemption of a certain proportion of its Quota of the Tax charged on the Properties situate within it, or a certain number of Counties, Districts, or Places might periodically be selected, on which the obligation of redeeming the Tax or a part of the Tax charged therein should fall. A selection having regard to the distances of the Counties, &c. from each other might be necessary, with a view to obviate, if the Consideration for Redemption could not generally be raised without sale of Property, those obstacles and disadvantages which proximity might raise or increase on the occurrence of numerous sales at the same period of time.

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*Estimates of the Extent and Cost of Redemption: also the probable Effects of it on Funded and on Landed Property respectively.*

The following rough computations and further observations are offered with a view of assisting in a more detailed way to estimate to what extent, and at what cost, it may be possible, by a redeemable Income or Property Tax, to effect the very important object of reducing the National Debt in the most equitable manner.

*Estimate of Net Charge of Income Tax under each Schedule according to different Scales.*

Schedules.	1st Scale. Millions.	2d Scale. Millions.	3d Scale. Millions.	4th Scale. Millions.	5th Scale. Millions.	6th Scale. Millions.	7th Scale. Millions.
A. on Rents of Lands, Houses, &c. ....	£ 6½	£ 9	£ 11½	£ 13½	£ 16½	£ 19½	£ 22
B. on Profits of Occupation of Lands .....	£ 1½	£ 3	£ 3½	£ 4½	£ 5½	£ 6½	£ 8
C. on Dividends of Funded Pro- perty, &c.....	£ 3½	£ 4½	£ 5½	£ 6½	£ 8	£ 9½	£ 10½
D. on Profits of Trade, Profes- sions, &c.....	£ 3½	£ 4½	£ 5½	£ 6½	£ 8½	£ 9½	£ 11
E. on Profits of Offices, &c. ...	£ 1	£ 1½	£ 1½	£ 2½	£ 2½	£ 3	£ 3½
Total..	£16	£22	£28	£34	£41	£47	£55

It may be premised that the amounts of Charge under the several Schedules are given as resulting from Rates of Charge which are higher in respect of Incomes derived from Property (Sch. A. and C.) than of Incomes derived from other sources (Sch. B. D. and E). A graduated Scale of Charge on Incomes according to individual amounts might be objectionable in case the Tax on Property were subjected to redemption; it might not be equitable to allow permanent exoneration to some Lands on easier terms than to others, because the aggregate Incomes of the respective Owners or Tenants for the time being happened to be of different amounts,—but the reasons for objecting to a graduated Scale would not apply to a Scale charging all Income derived from Property at a *general* Rate higher than the *general* Rate attached to Income derived from other sources—if a Property Tax and not an Income Tax were established less difficulty with respect to a graduated Scale, or to a distinction of Rates of charge might ensue—but in case of an Income Tax, whether the graduated Scale were admitted or not, the *aggregate* amount of the Tax

under any particular Schedule might be nearly the same, and therefore the above Estimate might approximate it computed in either way. The last two or three Scales are higher than might be required for the particular purpose of diminishing the National Debt, they are introduced for the sake of completing the Series of Scales of charge offered in this Work.

Very nearly the whole of the Tax charged under Schedule C., which comprehends Income derived almost wholly from the Public Revenue, would in effect be a discharge of the Interest of the National Debt to that amount and a cancellation of the same proportion of the Principal Stock; the remaining sum of Interest and Principal, or as great a proportion thereof as it would be expedient to discharge, might be liquidated by the redemption of the Tax on Income chargeable under Schedule A. or under Schedules A. and B. Nearly the whole of the Tax under Schedule E. being obtained from the Pay, Salaries, &c. of Public Servants, would, like the Tax under Schedule C., be in effect Taxation abolished.

Suppose that after deducting the amount of Government Life Annuities which could not consistently with engagements to the Annuitants be paid off, and the Long Annuities, which, expiring in 1860, it might be unnecessary to pay off, amounting together to about £2 millions, the amount of the charge of the Public Funded Debt of Great Britain remaining to be discharged would not exceed £25 or £26 millions; but considering such a national fund as the Public Debt, if of a moderate extent, rather as a convenience to be retained than an inconvenience to be got rid of, that it were not expedient to discharge more than four-fifths of that amount,—say, £20 millions; suppose that a Scale of Income Tax, such as the 3rd Scale offered in this Work, were imposed; then assuming that the foregoing rough Estimate would approximate the actual result of a Tax on that Scale, it would appear that after deducting from the Total Sum to be discharged, the Tax charged under Schedule C. on Income derived from the Revenue as being so much Interest of Debt at once discharged by the Tax itself, or as it might be declared to be, so much of the Principal Stock cancelled as being the price of redemption of the rest of the Stock, there would remain to be liquidated by the Redemption or Pur-

chase of the Tax on Real Property such an amount, say £15 millions, as the redemption of the amount of the Tax under Schedules A. and B. of that Scale would be equal to.

The total estimated amount of the Income Tax of the 3rd Scale (£28 millions) is less than double the amount of the late Property Tax, and is at the rate of about 17½ per Cent. of the Total Income estimated as attainable for charge.

The nominal \* Pound Rates of Charge on Income derived from Property (Schedules A. and C.) and on Income derived from other sources (Schedules B. D. and E.) respectively, exclusive of Wages, &c., would, according to the foregoing Estimate, be about as follows :—

Schedules.	Estimated amount of Income attainable for Charge.	Estimated amount of Tax.	Nominal Pound Rates of Charge computed on Income attainable for Charge.
	<i>Millions.</i>	<i>Millions.</i>	<i>s. d.</i>
A. and C. ....	£86 $\frac{1}{12}$	£17	4 0
B. D. and E. ....	72	11	3 0
	£158 $\frac{1}{12}$	£28	3 6

Allowing for the Saving in the expence of collecting an Income Tax of £28 millions, a Repeal of the present Taxes to an amount exceeding £29 millions would follow, or, as the Expenditure of Government beyond the sum disbursed for the personal Pay, Salaries, &c. of all its Servants, that is, the incidental Expences of the several Public Departments, would be diminished by the reduction of Prices after the repeal of the present Taxes, and probably the amount of that diminution would not be much less than £2 millions, a repeal of the present Taxes to an amount of nearly £31 millions might ensue.

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\* The *nominal* Rate of Charge must be fixed at such a Sum as the amount of Income attainable for charge would require in order to produce the desired amount of Tax from all Incomes declared liable, the *real* Rate of Charge would be such a Sum as the aggregate amount of Incomes declared liable, including any proportion which might escape Assessment, would give,—the *real* Rate would of course be so much less than the nominal Rate as the amount of Income attained for charge fell short of the amount of Income declared liable to charge.

Supposing the amount of Rents and Profits of Land, &c. (Schedules A. and B.) estimated as attainable for charge be too high for the present period of Agricultural depression, and that the rates of Charge as laid down for the 3rd Scale of the foregoing Series would not produce the assumed amount of Tax, a higher Scale of Charge must be resorted to in order to produce that required amount, but it would not be necessary to increase the rates of Charge in the degree in which the actual amount of the Rents and Profits might fall short of the assumed amount of them; for the less the amount of Income not derived from the Revenue might be to the amount of Income derived from it than the Estimate assumes, the larger would be the proportion falling on the latter of the whole amount of the Tax than the Estimate affixes to it, and consequently on the assumption that the Tax permanently charged on the Interest of the Debt would be tantamount Debt discharged, there would remain so much less of Debt to be discharged out of Real Property, and of course so much less Tax and Consideration for Redemption of Tax would be required from Property.

The amount of Cost or Money Consideration payable for the Redemption of Income or Property Tax would fluctuate with the price of the Public Funds, but for the sake of estimating what would be the *highest* amount of Consideration which, in the aggregate, could be demanded, let it be supposed that the whole of the redeemed Principal Stock would be bought at Par: suppose that the amount of Tax the redemption of which would be necessary to discharge the portion of the Debt required to be discharged would be £15 millions, the total amount of Consideration, at the price of £100 Stock for £100 Money, would be £500 millions, and the whole amount of the redeemable Tax would be redeemed at 33½ years' purchase. This Sum of £500 millions does not include any Excess of Consideration, such as the one-tenth which is required in the Redemption of the Land Tax beyond the amount necessary to purchase a Dividend in the Funds equal to the Land Tax to be redeemed, it being proposed that such Excess should not be demanded on the Redemption or Purchase of Income Tax. If however it may be anticipated that the Public Funds would fall instead of rising, and that the average price of them during the term of redemption would be 80 per Cent., the aggregate

amount of the Consideration would be £400 millions, and the Tax would be redeemed at 26 $\frac{1}{2}$  year's purchase.

It may be doubtful whether the certainty of a liquidation of the National Debt or of the greatest part of it, would advance the price of the Funds while in the course of redemption: the prospective duration of such Property to any large extent would be so much shortened as might induce many of those possessed of it and of those having other Capital for investment to seek at once different security, and thus lessen the demand and value of Funded Property; if the regular and large demands of Stock for purchase and cancellation under the operation of the Redemption of the Income Tax maintained it at a high price, that circumstance might also discourage private purchases, and induce a preference to other means of vesting or employing Capital. In assuming however, for the sake of shewing the utmost cost which the redemption of a certain amount of Tax could possibly occasion, that the Funds would rise to and continue at the high price of £100, it may be as reasonably assumed that the value of other Properties would keep proportionably high, or that whatever the value of one, the value of others would preserve the usual or due relation to it, for it is conceived that facilities for carrying the plan of Redemption into execution would arise out of the plan itself and assist that effect; after it had been commenced the Fundholders, to whom their Capital would revert, would be under the necessity of finding other means of investment, and the Owners of Lands and Houses might avail themselves of that necessity to dispose the more easily and advantageously of their Property; a constant supply and demand proportionate to each other would be kept up; purchases or mortgages of Lands and Houses would be sought for equally with purchases of Funded Property; it is therefore not apprehended, even if the measure were rendered compulsory in any manner and to whatever extent carried in any given time, that the value of Funded Property would rise disproportionably higher than the value of Real Property, but it may be expected that the two Classes, the Debtors and Creditors, would render themselves auxiliary to the progress of the measure in a manner equitable and beneficial to both, while the instrumentality of the Tax in the adjustment between them would ob-



tain from the State the necessary guarantee and responsibility for the fairness and security of the whole transaction.\*

The saving and relief arising from the Repeal of Taxes on Expenditure would not only enable the Proprietors of Land, &c. more easily to pay the substituted Income Tax but to provide the pecuniary Consideration for redeeming it, and they would have less occasion to resort to a sale of any part of their Estates. It might in general be paid out of Income and not necessarily out of Property. In cases of Estates mortgaged, the Mortgagees as proportionably interested might voluntarily join the Proprietors in redeeming the Tax and assist in their own exoneration from it: if expedient they might be subjected to obligatory enactments in common with the Proprietors. If the Mortgagees did not furnish their proportion of the Consideration, the Proprietors would continue to deduct the Tax from the Interest payable to them.

If the Funds advanced to £100, and if there nevertheless should be an extensive demand on the part of private individuals for investment in them, it may be conceived that in proportion as the aggregate of the Principal Stock diminished by redemption of Income Tax, and as Government might from its large purchases for that purpose take off from time to time the greatest part to be sold, there would be difficulty in obtaining sufficient private investments; therefore if such security as Taxation and the guarantee of the State should continue to be preferred by many of those possessed of disposable Capital to any other kind of investment, they might be inclined to bargain with the State for the loan of the amount at a less rate of Interest than the old Funded Debt would yield, for such certain limited periods as might be agreed to; with the monies so raised a New Debt could be created, and a large part of the Old Debt could be discharged with a great saving of annual Interest—the New Debt might be discharged by the Consideration for Redemption of Income Tax at the end of the stipulated period of its duration, or if, as before suggested, it

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\* The value of Funded Property may be occasionally affected by events or circumstances which do not at the instant act upon the value of Landed or other Property, but those effects may be temporary, or if of a lasting nature, they may be expected to be followed in time by similar effects on the value of other Property.

might be expedient that some portion of the National Debt should remain permanently unredeemed as a public convenience and accomodation—the part reserved might be constituted on the reduced terms.

If the operations for raising a Consideration to the extent of £400 or £500 millions be spread at an uniform rate over the space of a large number of years, the practicability of the scheme of a redeemable Income or Property Tax would be greatly facilitated, and any inconvenience likely to arise from great and sudden changes in respect of Property and Capital would by that gradual accomplishment of it be avoided. Suppose that 30 years be taken for raising the desired Consideration of from £400 to £500 millions, then the annual payment of Consideration would be from £13½ millions to £16½ millions, the mean would be £15 millions, also £½ million of Income Tax would on the average be redeemed and the same amount of the charge of the Debt be reduced in every year. Assuming that a large proportion (suppose one-third) of this amount would be provided out of personal Property previously belonging to the Owners of Real Estates, or by savings made annually out of their Incomes, it is conceived that after allowing for that portion of the total amount of Consideration to be raised out of Real Property (£10 millions) which would arise incidentally from such changes by sale as are constantly taking place for private purposes, there would not remain a very considerable amount of Consideration to be obtained by sales made solely for the purpose of providing it. Contrasting the probable amount to be raised both purposely and incidentally out of Property chargeable to the Tax subject to redemption, with the aggregate amount of the value of all such Property in the Kingdom, there cannot be apprehended any great difficulty or inconvenience from the undertaking.

The annual amount of the present Stamp Duties on Deeds and other written Instruments, Legacies, Probates, Receipts, Advertisements, &c. amount to upwards of £3 millions. As the greater part of the transactions on which these Duties are obtained take place on Transfers of Property, out of the Produce of which the Duties are defrayed, the saving to accrue from the repeal of those

Duties would be equal to a large part of the Consideration annually requisite for redeeming the Income or Property Tax.

On Sales of Property, whether taking place under ordinary circumstances or for the sole purpose of redeeming the Income Tax, the Vendor would receive for his own use the same consideration for the Property sold as if the Redemption of the Tax had not formed any part of the transaction; the Purchaser who would pay the Consideration for Redemption of the Tax as purchase money for an equal amount of future Rent and Profit, would as the future Proprietor of the Estate, pay or be made responsible to the Public for the due payment of the Consideration. If the Vendor had previously redeemed, he would, as before observed, proportionably raise the price of the purchase and in fact receive back the Consideration from the Purchaser.\*

\* For the sake of illustrating the numerical result in an instance of two or more individuals concerned in the transaction, and thereby enabling a judgment to be formed of the general results in all such instances, suppose the Case of a Farm of Lands let for a Rent of £100. Taking in this case the amount of the Tax on the Rent (Schedule A.) and on the Profits of Occupation (Schedule B.) according to the 3rd Scale of Charge, the result would be as follows:—

	Rent and Profit.			Tax.			Net Income.		
Schedule A.	....	£100	.....	£16	15	.....	£83	5	
„ B.	...	75	.....	9	7	.....	65	13	
		<hr/>		<hr/>			<hr/>		
		£175		£26	2		£148	18	

If the consideration for the redemption of the Tax be calculated at £100 of the Funds (the highest Price which could be demanded) viz. at 33½ years' purchase, the amount due would be in respect of the Landlord's Tax £558 7

Occupier's Tax 311 13

Total..£870 0

The Consideration at 33½ years' purchase would be, in respect of the Rent one-sixth, of the Occupation Profit one-eighth, and of the aggregate of both, one-seventh, if they be respectively computed at the same number of years; and at whatever number of years' purchase the Tax were redeemed, the Consideration would be the same proportion of the amount of Rent and Profit accumulated in that number of years.

If the Proprietor exonerated his Estate he would receive annually the Occupation Tax £9 7s. from the Tenant as so much additional Rent in reimbursement of the

Some part of the Consideration necessary for redeeming the Tax might be raised by mortgage; that would be to substitute a private for a public Creditor. A mortgage might probably be raised on such terms as would charge the Estate with a sum of Interest less than the public charge got rid of—the exchange of a private for the public Creditor might then be a pecuniary gain. The security of Land as being preferable in general estimation to the security of Funded Property, and the probable increased demand for the former, consequent on the reduction of the Debt, might tend to give this advantage to Land Owners. By the Land Tax Redemption Act persons becoming Mortgagees under the Act have a preference over prior Mortgagees in respect of the Interest, though not of the Principal; and the latter have a preference to advance the Money required to redeem the Tax. In whatever way the Consideration were raised, and whether made payable at once or gradually, the riddance of future proceedings of Taxation would be an immediate advantage, unless the party chose the mode of a double annual Assessment to endure for a fixed number of years or until so much Stock had been purchased as with the accumulating Interest would redeem the Tax. This mode of Redemption would differ from a Contract for paying a Consideration by Instalments, inasmuch as under such a Contract not only the length of the term would be fixed by the Contract itself, but the Cost might be raised

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Consideration paid by him for the redemption of it, and the Consideration being calculated at the price of £100, viz. at an Interest of 3 per Cent., he would receive the fair amount of Interest from the Tenant for exonerating his Profits from Taxation; if the Price of the Funds were lower the Consideration would be proportionably so, and, whatever the Price of the Funds, it might be presumed that the cost and the reimbursement would bear due relation to each other. If the Tenant of the Estate redeemed the Tax out of his own means he would continue to deduct the Tax from the Rent which would be his reimbursement in that part of his bargain, he would be free from the Tax on his own Profit, and at the end of his Lease he would possess a Rent Charge on the Estate equal to the whole of the Tax redeemed by him. If a Stranger purchased the Tax or any part of it, he would receive an equivalent Fee Farm Rent. Both Stranger and Tenant might be entitled to Votes at Elections by virtue of their Rent Charge. If the Tax were imposed by a consolidated Charge on the Rent and Profits (Schedules A. and B.) the results might be the same, instead of falling separately on Landlord and Tenant as in case of separate charges, there would be an adjustment between them by a diminution or increase of Rent according as the Landlord or the Tenant redeemed the whole Tax.

out of any other resources of the party than the Estate to be exonerated and without the interference of Taxation. By the mode of double Assessment the length of the term would, if not fixed, depend on the Price of the Funds in the several years of its duration, but whether the term were fixed or not, the usual proceedings of Taxation must be continued; the total cost of either mode might be nearly the same. The mode of double Assessment would perhaps suit the cases of some Strangers (as well as of Owners redeeming) who might wish to purchase Rent Charges on Real Property, it would be as the purchase of a deferred Annuity on the best possible security, the Consideration to be paid, not at once as usual on purchasing deferred Annuities, but by certain annual Instalments, the sooner they were completed the sooner the Annuity would commence; in order to complete the bargain more quickly, if wished for, the annual Assessment might be trebled instead of doubled, or any number of Instalments might be paid in advance.

If the Consideration were, under a Contract, made payable by a stipulated number of annual Instalments, with Interest to be paid on each Instalment after the first, the exoneration from the Tax then commencing, there would be a decreasing proportion of the Tax remaining unredeemed in each year, the amount of which would be equal to the Interest payable:—Suppose the period for completing the Contract were extended to  $33\frac{1}{3}$  years, each Instalment would be the exact amount of the Tax, and the Interest payable annually with each Instalment would become in fact the Consideration for the Redemption of it, the first payment of Interest would be nearly equal to the Tax, and the Interest would annually diminish by about  $\frac{1}{3}$  part thereof. A Contract to be completed by Instalments in that or any other great number of years might be a desirable mode of fulfilling it in cases where the whole Consideration could not at once be provided, but where it might be convenient to raise most of it gradually in the early years of the whole term, with a wish on the part of the Owner to disburthen his Estate as much as possible during his life time, and leave it to his family with so much less of the cost to be provided by them, at the same time to rid himself of the trouble and vexation of Taxation.

*Advisable Variations or Alternatives in the Scheme of Redemption or Purchase.*

In cases of Contracts for Redemption of Income Tax by Instalments to be paid within a term of several years, there might, if considered most just and expedient, in the event of such a high Scale of the Tax on Real Property as £15 millions, be a power to raise or reduce the amount of each Instalment as it became due by increasing or diminishing the part of the Tax which the Instalment was to cover, in the ratio of any intervening increase or reduction in the Rents and Profits of the Estates in cases where the Instalments were payable at intervals of not less than twelve months. The Cost of Redemption would then vary with the varying ability of the Estates to bear it: as each Instalment would be payable in Money to the Stockholder according to the market price on the stipulated day of payment (unless the Contractor himself possessed Stock, in which case there would be a mere transfer or cancellation of Stock, and what the money price of it might be would be immaterial) such a modification as is now suggested would keep the Land Owner and the Stockholder, throughout the whole term allowed for fulfilling a Contract, on a more equal footing with each other; the one might make and the other might receive each payment more in proportion to the relative value of their Properties than if the amounts of the Land Owner's several payments were made to fluctuate not with the value of his own Property, but only with the price of the Fundholder's Stock; but as such a modification would be attended with trouble and frequency of proceedings, also with uncertainty as to the precise result, it might be made optional with the Contractor on entering into his contract to render himself subject to it; also any such alteration in the charge to the Tax might not be admissible unless the increase or fall of Rent and Profit were proved to have exceeded a certain rate per Cent. which should be declared in the Act.—Or,—If a person having at any particular time disposable means, and being desirous, as more convenient to him at that time, to purchase and redeem the Tax on his Estate, should object to do so from anticipation of a reduction in the comparative value of it

and consequently in the future charge on it if not redeemed, there might be such a provision as was contained in the first Land Tax Redemption Act (not continued in the subsequent Acts) under which though the Land Tax were redeemed the Estate should not be exonerated, but be subject to any variation in the charge which future variation in the comparative value might require—the party in that case paying the Land Tax as before and receiving it back,\* having the power at any future time to exonerate the Estate by application to the Commissioners, and then paying or receiving back such amount of Consideration as might be further due from or repayable to him in respect of any reduction or increase of charge made in the interval; he having the power also before the exoneration, to assign or bequeath the Land Tax so redeemed and not exonerated to any other person.

Also—instead of establishing at once such a high Scale of Income Tax that the redemption of the sum charged by it on Real Property would liquidate the full amount required to be discharged of the National Debt, it may be deemed more expedient to commence with a low Scale of Tax, and instead of a total Charge of £15 millions imposed in the first instance on Incomes derived from Lands, Houses, &c. (Schedules A. and B.) and made redeemable in 20 or 30 years, as heretofore contemplated, to impose a Tax not exceeding £5 millions thereon, but circumscribing the period for redeeming it to 8 or 10 years; after the redemption of this sum had been completed, to re-charge the same amount of Tax, allowing the same period for redeeming it, and after the redemption of the second Charge to impose a third Charge at the same rate, subject also to redemption within the same limited term. This course of operation would be one of the several variations which the Scheme of a redeemable Income or Property Tax admits of for accomplishing the Reduction of the Debt in that gradual manner which may be most advisable. It might be considered by some to be the most safe and cautious mode of proceeding, as best guarding against a

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\* In practice the Land Tax has seldom been collected in cases where the parties entitled to it have been also in possession of the Estates charged with it.

failure of the Scheme of Redemption, as also best calculated to maintain satisfactorily every where the Charge and Price of Redemption in correspondence with the various changes in the value of different Real Properties which might be expected between the successive periods of renewing the Charge thereon. If this plan were adopted, all Incomes derived from other sources must be charged during the first period at a Rate proportionate to the Rate applied during that period to Incomes derived from Real Property; during the second period, the Rate of the first Charge on other Incomes must be doubled, and during the third period it must be trebled, in order that the Contributions out of those Incomes may be increased in due proportion to the aggregate amount of the successive Charges made on Real Property.

As another of the variations in the plan of liquidating the National Debt, of which an Income or Property Tax subject to Redemption might be the basis, it may be suggested that the Consideration payable for exoneration from the Tax should be calculated at the same number of years purchase at which it might be determined on a fair valuation that the Property itself on which the Tax is charged would be worth, or that a certain number of years purchase should be fixed as applicable to all Lands and the Tax on them, and another but less number of years as applicable to all Houses and Buildings and to the Tax on them. It would seem most just either that the Tax on the Rents of Houses should be lower than the Tax on the Rents of Lands, as before suggested,\* or that the price of Redemption should be less in one than in the other case. There was a provision in one of the Land Tax Redemption Acts for the redemption of the Tax on Houses at 18 years' purchase; it had a temporary operation only, the period being limited by the Act; many persons availed themselves of it, but it is not supposed to have been very publicly known. During the time of its existence the Tax on Lands was sold at nearly 30 years' purchase.

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\* Vide page 177.



*Great comparative Saving in Cost and Expende, attainable under the Plan of reducing the National Debt by a redeemable Income or Property Tax.*

It may be estimated that taking the amount of the Charge of the National Debt and of the Expenditure of Government to be £50 millions, there would be required for the creation of a Sinking Fund of £15 millions, under the present system of Revenue, a total annual levy of Taxation, including Charges of Management and Collection, of very nearly £70 millions; adding to this amount the excess of increase of prices beyond the Taxes themselves, there would be a yearly aggregate not far short of £100 millions taken out of the pockets of the Public by the process of Taxation; but in case of a general Income Tax forming the Total Revenue, with such part of it subject to redemption as should be adequate to discharge so much of the Principal of the National Debt, as remained to be discharged, after deducting the portion virtually cancelled by the Tax itself, not only a Sinking Fund would be unnecessary, but while the aggregate *nominal* amount of Taxation, including Charges of Collection, would not amount to £51 millions, the *real* amount, deducting the proportion paid by Income derived from the Revenue, would not exceed £38 millions; to this latter Sum there should be added the annual payment of Consideration for the Redemption of the Tax on Real Property, forming an aggregate amount on which, to pursue the comparison, it is to be observed, that as such an amount of the Principal of the Debt would at once be virtually discharged and cancelled by an Income or Property Tax, as were proportionate to the annual Interest taken away permanently by it, so the amount of Consideration actually to be raised from the Public and paid over to the Fundholders would, under a redeemable Income or Property Tax, be very considerably less than the amount of Consideration to be levied and paid to them in case of a Sinking Fund or Surplus Revenue raised by other Taxes, under which latter mode of discharging the Debt there would be required the actual levy of an amount equal to the whole Money Principal of the Debt; the Public Creditors would, under this mode, contribute a large proportion to the Sinking or Surplus Fund, to be afterwards repaid to themselves, as the consideration due for their principal Stock, thus greatly extending an expensive, troublesome, and in-

jurious process of Taxation, which would be rendered wholly unnecessary by the superior means of adjustment which a redeemable Income Tax presents, under which the levy of any Consideration for discharging that part (about one-fifth) of the Principal Stock which were virtually discharged by the Tax itself would be of course unnecessary.

The difference of cost, if considered with reference only to the expence of Management and Collection between the two systems of Taxation, would be very great. To raise a Gross Revenue of nearly £70 millions by Taxation on the present system, including a Sinking Fund or Surplus Revenue of £15 millions, the annual Cost of Collection would exceed £4 millions; but the cost of a Gross Receipt of £50 millions raised by a general Income Tax would not amount to £1 million; the accumulated amount of this difference in expence of upwards of £3 millions per annum during the great length of time requisite for liquidating the National Debt by a Sinking Fund, would be a very large proportion of the Total Capital of the Debt; at the same time it is to be observed, that the less the amount of the Sinking Fund or Surplus Revenue raised by the present Taxes might be, and the longer consequently its duration, the greater would in the end be this accumulation and excess of Cost of Collection.

Supposing the present amount of the Surplus Revenue to be on the average £3 millions per annum, and that by raising the present Revenue of £50 millions by an Income Tax there would be a saving in the Collection of the Revenue to the amount of £2½ millions, and from the fall of Prices a further saving in the incidental Expenditure of Government to the amount of nearly £2 millions, Taxation to an amount of £7 millions could be at once abolished on the substitution of the Income Tax subject to Redemption.

With respect to that part of the Cost of redeeming the National Debt which would be the Consideration paid by the Owners of Real Property to the Public Creditors in liquidation of their Principal Stock, it might not very materially differ in total amount, whether the Owner of an Estate provided its share of that Cost gradually by means of additional Taxation raised by an Income or Property Tax out of the Rents and Profits of it for the purpose of an effectual Sinking Fund, or whether gradually by rais-

ing thereout, or out of any other resources in his possession, the adequate Consideration for the Redemption of the Tax charged on it, or for the latter object, by surrendering at once an adequate proportion of the Estate itself; but it may be observed, that as the value of all Property fluctuates under the influence of other causes than Taxation, the progress and effect, and consequently the Cost of any plan for reducing the Debt might partly depend on circumstances, which however good the plan, it would not wholly control; as however any measure of the kind, if gradual and uniform in its operation and pursued with the full assurance of a perseverance in it to the entire accomplishment of its intention, might counteract in some degree fluctuations in the value of Property, the adoption of such a plan as would best secure the attainment of this particular object appears highly essential; with this view it may be conceived, adverting to the fate which Sinking Funds have hitherto experienced and to the like probable fate of a Surplus Revenue, though even declared by law to be to a specified fixed amount applicable to the same object, that a redeemable Income Tax, from the certainty of its bona fide application to the fulfilment of the avowed and real design of it would possess a great advantage. The Redemption of the Income or Property Tax would infallibly and inevitably effect its purpose, there could be no misapplication of the produce, the means and the end would be simultaneous and inseparable.

*Expences of Proceedings, how to be borne.*

Considering the Redemption and Purchase of Income or Property Tax, though accompanied with immediate private advantages, yet as having for its principal and ultimate object the public good, it might be just and politic, with a view to encourage it, that the expences attending the disposal of Property sold for the purpose of redeeming or purchasing the Tax should fall not on the individual Vendors or Purchasers, or not wholly on them, but wholly or partly on the Public at large, and be defrayed out of the Revenue. It might be equitable that those Classes whose Incomes were derived from other sources, and who made no sacrifice of Property or Capital, should bear some part of the expence of the measure—to throw the expence on the Revenue at large would be the means of obtaining their contribution towards it. In order

to secure the utmost uniformity of procedure and economy of expence, all the Legal Proceedings should be under the direction of Professional men in the Public employ or of others who should also be subjected to the control of Government, and be compensated for their services by fixed salaries or at the most moderate rates of charge if compensated according to the extent of the proceedings. This arrangement would create a great saving of expence, and would be attended with the additional advantage of preventing much trouble and anxiety to the parties, they would have only to make application to the proper official quarters, where they would meet with every facility and readiness of preparation for the execution of the business; the superintendence and responsibility of official authority would also be a guarantee to the Purchasers in their new acquisitions; with a view to render that guarantee most certain, and as the apprehension of defect of titles is often an impediment to the disposal of Estates, it might, in order to prevent such a discouragement to the purchase of Property offered for sale, be enacted, as under the Land Tax Redemption Act in respect of parts of entailed Estates sold for redeeming the Land Tax thereon, that all sales made and conveyances executed for the purpose of redeeming the Income Tax should confer on the Purchasers of the Lands, &c. a good and valid title. That such an enactment would extensively promote the measure may be inferred from the following observation of a Legal Commission. "We believe it may be confidently asserted, that of the Real Property of England a very considerable proportion is in one of these two predicaments: either the want of security against the existence of latent deeds renders actually unsafe a title which is yet marketable, or the want of means of procuring the formal requisites of title renders unmarketable a title which is substantially safe."\* The Land Tax Redemption Act provides that any persons injured by sales guaranteeing the title as before mentioned shall be entitled to relief by a Court of Equity to such amount and in such manner as in its discretion it should think proper; but it is believed that there has not been occasion for seeking such relief in any instance. It may, however, be observed, as the provision would extend only

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\* Second Report of Commissioners on the Law on Real Property—1830.

to guarantee to the Purchaser so much of an Estate as it would be necessary to sell for the purpose of redeeming the Income Tax on the whole of it, that in case a person in possession of any Estate to which he had not a legal title sold a part of it for the purpose of exonerating the whole from Income Tax, and the sale be declared to give a good title to the part sold, if the rightful Owner afterwards established by law his title to the Estate, he would not by the previous act of the unlawful possessor be subjected to any grievance requiring a remedy, for he would sustain no real injury from it, though he would obtain possession of part only of the Estate to which he was entitled, that part, exonerated from Taxation, would be equal in value to the whole not unburthened of it.

*Incompleteness of Redemption of the present Land Tax not a discouragement to a Redeemable Income or Property Tax.*

It appears by the Public Accounts that nearly £ $\frac{1}{2}$  million of Land Tax was redeemed in the first two years of the Land Tax Redemption Act, shewing to what extent such a measure is practicable within a short period, even on terms less advantageous to individuals than it might fairly have offered. It was avowed at the time of its commencement (1798) in an official Publication that the great object of the measure was to "relieve the pressure in time of War by taking out of the market as speedily as possible a considerable quantity of the Funded Capital and thereby raise the price of the Funds." Though the great success of the scheme within the first two or three years answered the expectations of it, the Funds having from that as well as from other causes risen within that time nearly 20 per Cent., yet as they afterwards continued to rise or maintained their increased price, the further success of it became a less important object; the rise of the Funds was considered as increasing the disadvantage of laying out money in the redemption or purchase of Land Tax; but more favorable terms could not, in justice to those who had redeemed, be offered to those who had not. It may however seem that if the present Owners of Land unexonerated will not redeem the comparatively small sums of Land Tax charged on them, it is not likely that Owners of Land in general could or would redeem the

much larger sums which an Income Tax would impose on them; but it is conceived, from the smallness of the Land Tax charges in general, that it is not the want of means which retards the progress of the redemption of them, but that persons interested, even if the pecuniary loss of one-tenth, already adverted to, did not deter them, would regard the riddance of the charges by redemption as a matter of too trivial a concern, not worth the trouble of the proceedings, particularly as there are other Taxes, viz. Assessed Taxes, with which they are always collected, and for which the Tax Collectors must nevertheless visit them, as usual, from time to time. Other causes, besides those already offered, have been also assigned for the incomplete success of the plan for the Redemption of the Land Tax, among which has been the apprehension that the design of the measure was, after the Redemption of the whole Tax, to establish a new Land Tax: also the great inequality of it, Lands, &c. in some places being charged from twice to 20 times the rate at which Lands, &c. of the same extent and quality are charged in other places; then as the sum to be paid for Redemption may be equal to 30 years purchase or upwards, at what a multiplied rate of cost must some persons pay beyond others for relief from the Land Tax in respect of Property of the same value. In this respect the Income Tax, from the near equality of its charge on Property in general, would possess a very superior recommendation for the Redemption of it. As far however as the measure of the Redemption of the Land Tax has proceeded the intention of it has been answered both in a public and private point of view, and though it has not succeeded to the utmost desired extent, it cannot justly be held up in discouraging anticipation of the success of another measure, which though similar in its plan may be brought forward under very different circumstances, and the advantage of which, in giving relief to a much greater extent from the proceedings and effects of constant Taxation, renders it a matter of great interest to those whom individually it would more immediately affect; it may therefore be sanguinely hoped that the chief object of it, the release of one part of the community from Taxation and of another part of the community from dependance on it, with the more favorable and equitable terms it would propose, would constitute it a more fair and advantageous

bargain. By thus placing the two divisions of the Community on a more equal footing, and by making some minor modifications in the plan, suggested by a knowledge of other difficulties which have impeded the Redemption of the Land Tax, the progress and success of the new measure may be assured with a confidence and certainty which the plan or terms of the Redemption of the Land Tax hardly entitle it to.

*Probable Period of completing the total Redemption of the Tax.*

It may not be possible to anticipate with certainty the exact period which would elapse before the discharge of the National Debt, or of so much of it as it might be expedient to discharge, would be wholly accomplished by a redeemable Income or Property Tax; much must depend on the nature and extent of the powers and methods provided for carrying the measure into effect. It has been stated that the whole Property of the Kingdom changes hands in about 30 years; whatever may be the length of time within which an entire change takes place, the complete exoneration of all the Property might not, calculating upon it under a limitation of imposing the obligation to redeem the Tax on new Owners only, be accomplished within a less period, but making allowance for a large extent of voluntary Redemption and Purchase of the Tax by the present Owners and by Strangers, the greatest part would in all probability be freed and discharged long before the expiration of that period.

It may be assumed that the National Debt could be discharged, wholly and at once, at about the termination of 30 years by an accumulated Sinking Fund operating at compound Interest, and commencing at an amount of £15 millions, and gradually at about the termination of 50 years by a Fund permanently of that amount operating at simple Interest.

*2. Discharge of the Public Debt by an Equitable Mode of Adjustment depending on the Co-operation of an Income Tax, rendering it redeemable on a different Plan.*

If much difficulty were likely to arise in effecting on fair terms the disposal of Lands, &c. in the ordinary way of sale and purchase of Estates, or in raising, in the manner of redeeming the Land Tax, the necessary Consideration for redeeming the Income or Property Tax, there may be suggested another plan for accomplishing the object of it, which might be more simple and in many cases, more convenient in the procedure, and as fair and satisfactory in its result to the parties interested.

A limited number of Commissioners, forming separate Boards for the respective Counties, or one General Board of Commissioners for the whole Kingdom, to be selected and appointed in such manner as the Legislature might deem most proper;\* should receive the offers of any Owners of Real Property voluntarily proposing to redeem the Income Tax charged on their respective Estates, and also the offers of any Fundholders willing to become purchasers either of the Tax as private Rent Charges on Estates or of adequate parts of Estates to be surrendered for the Redemption of the Tax charged on the whole, and to settle and determine the terms of exchange between the parties in the most just and impartial manner.

It is confidently believed that numerous Fundholders are desirous or have no objection to change the nature of their investments, but in consequence of the difficulty of acquiring Real Property on secure and fair terms, also with ease and convenience to themselves, they are not induced earnestly to seek for the exchange. The instrumentality of a high competent Authority, whose duty it would be to protect all interests equally by the strictest procedure, also the legal guarantee of good title, which it would

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\* A Board of Commissioners, consisting of Individuals of the highest official situation, and of others of high rank, was appointed in the year 1802, by which all sales of Church and Corporation Properties sold for the purpose of redeeming Land Tax have been sanctioned and confirmed and the legal and equitable disposal of them superintended.



be empowered to give to whatever Property might be acquired under its consent and sanction, and the avoidance of expences in the proceedings, or the very moderate amount of them, would increase the desire on the part of the Fundholders to become Owners of Real Property and to enter voluntarily into the scheme.

As it might be supposed that such a plan of reducing the Public Debt, or of adjustment between the Public Creditors and Debtors, could be effected without the aid or direct intervention of Taxation in any way, it is necessary to observe that it could not be fully and fairly carried into effect under any other system of Taxation than a general Income Tax, for not only the riddance of a Tax charged directly on all Real Properties would be a great inducement to the Owners of them to seek the adjustment, and offers for it would be more readily made, as comprehending obviously a mere surrender of so much Property as Taxation had virtually rendered valueless to them, but unless the present Taxes or the greatest part of them were abolished and a general Income Tax of an adequate amount were imposed in lieu of them, the Owners of Estates would obtain no relief in return for their surrender of the required portions of them, but would remain unavoidably subject to the payment and procedure of Taxes in the same degree as those who had surrendered nothing. If a Tax on Property only were imposed, the present project might not bear harder on the Owners of Property than a Property Tax redeemable in the ordinary way, and it could certainly be carried into effect with perfect fairness and justice between the Real Property Owners and the Fundholders so far as they only were relatively concerned.

It might not be an arbitrary extension of the plan to *compel* the adjustment in cases where offers were not voluntarily made; it might to many holders of Property be an alternative preferable to a forced sale of Property, or to any other compulsory mode of exacting the required amount of Consideration; or it might be made an adjustment optional with the Landholders but not with the Fundholders, or vice versa. If the Redemption of Income Tax in the ordinary way of sale and purchase would be likely to have the effect of depreciating the value of Real Property, and according as the amount of Funded Property diminished, of raising disproportionably high the value of the latter, this alter-

native plan of exchange would be recommendable as comprehending the means of more effectually preventing any undue advantage being obtained by one Class at the expence of the other.

It may however be suggested, as preferable to any plan comprehending a *forced* surrender of Property itself, to cease payment out of Taxation of the Interest of any Creditor's portion of the Debt, whether making a voluntary offer of adjustment or not, and to give him an equivalent Rent Charge on any individual Property which he might choose, or on which it might be determined by the appointed Authority to fix it. In all such instances the party would be vested with power, as in cases of Land Tax sold to Strangers or to beneficial Lessees under the Land Tax Redemption Act, to recover it in the same way as other Rent Charges are recoverable; thus, instead of the general Collector of Taxes, the public Creditor, converted into a private Creditor or Mortgagee, that is, the party entitled to the sum payable, would directly receive it, and Property so charged, however improvable in value, should be considered free from further charges to the Tax, and all proceedings with respect to it, in the same manner as if exonerated by the Owner in the usual mode of redemption, and the expence and other objections to a public levy would be avoided. Whether the transaction were of a voluntary nature or not, the Rent Charges might be made redeemable thereafter by the Owners of the Estates charged; so that although it should not be convenient to them in the first instance to exonerate their Estates from public Taxation, they should not lose the right to exoneration from the substituted private Charges whenever it should become convenient.

*On the Substitution, for some of the present Taxes, of a Property Tax, at a low Rate of Charge, and subject to redemption, as the most expedient means of commencing the desired Financial Revision, and the sure reduction of the National Debt.*

In order to relieve the Community from some of the most onerous or unpopular of the present Taxes, it might be expedient to impose a Property Tax in lieu of them, but without extending the substitute, at present, to an Income Tax: the rate of Charge might depend on the amount of other Taxes to be abolished, and of any further possible retrenchment of the Public Expenditure. The lowest rate with which it might be advisable to commence the Tax would not, probably, be less than 5 per Cent. The produce

of it at that rate, taking the Properties chargeable under Schedules A. and C., might be estimated at about £4 millions—if it were rendered redeemable, the amount subjected to redemption and purchase (Sch. A.) might be taken at nearly £2½ millions, viz. at an amount somewhat exceeding the total amount of the Land Tax when it was first imposed (at 20 per Cent.) in 1692, and when rendered perpetual, subject to redemption, in 1798, at which latter time the real rate per Cent., though greatly reduced since the first imposition of the Tax, was, on the average, higher than its present real average rate.

Adopting the mode and terms of redemption or purchase suggested under the preceding heads, and considering, in comparison with the present plan of the Redemption of the Land Tax, the superior position in which a redeemable Property Tax would stand, not only with reference to the more fair and beneficial terms of redemption, but to the infinitely greater equality of the individual Charges of it, also that the procedure of it, being such as is adopted for levying the Land Tax and for effecting the Sale of it, would (with some desirable and practicable modifications) be unobjectionable, it might be sanguinely expected that the Redemption or Purchase of it would proceed successfully, and, as it might also be hoped, without the necessity of rendering it compulsory:—five or six years might be a sufficient term to be allowed for the purpose,\* at the end of which a fresh imposition at the same rate might be laid on and be made subject to redemption within the same term; at whatever rate the first or the successive impositions were charged, a proportion of the Interest of the National Debt computed at the same rate should, instead of the whole amount of Interest remaining taxed at that rate, be declared to have permanently ceased at the termination of the allowed periods of redemption, that is, when Real Property had fully completed its part of the obligation; also, some reduction might then be justly made in the amount of the Pay, Salaries, &c. of the Public Servants, which, though not consistently to be subjected to the Property Tax, yet as being increased in value by the diminished price of living from the reduction of other Taxes, might be lessened, as they were at former periods increased

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\* Upwards of one-fourth of the whole Land Tax was redeemed or sold in the first two years of the Land Tax Redemption Act.

on the ground of the then increase of the Taxes and price of living. Each imposition of a Property Tax at 5 per Cent. might, together with a proportionate reduction of the Pay, &c. of the Public Servants, amount to not far short of £5 millions, and other Taxes to full that amount might be repealed. After the trial for a few years of a Property Tax, on the moderate Scale of 5 per Cent. it might be satisfactorily decided whether the Tax could be justly carried on to further or renewed Impositions without also imposing an Income Tax on Trade and Professions, or whether the equalizing and compensatory adjustment (discussed in the First Part of this Work\*) under which the untaxed Income would indirectly bear a part of the burthen, would take place to a sufficient extent as to obviate the necessity of resorting to such an extension of the Tax. Waiting the event of time and benefit of experience before further progress were made, the Plans of Charge to the Tax, and of the Redemption and Purchase of it, might be advantageously recommenced with such improvements as they should be found to require.

Under all the circumstances of the present Crisis of the Public Finances and Affairs in general, it is humbly conceived, that this Section submits the most safe and upon the whole the most expedient commencement of the Financial Commutation and Change which the Crisis demands.

*Observations on the Advantage of a Property or Income Tax as the Basis of an equitable Mode of discharging the National Debt.*

Some complain that the terms on which the Public Debt is now discharged are unfair or disadvantageous to the Public at large, that in repaying Capital at prices higher than those at which it was borrowed, more Capital is received by the Fundholders than is justly due to them, and that this disadvantage is increased in proportion to the increase in value of Money since the Capital was lent.

It appears that the Public, though bound to pay the Interest of the Debt and to continue to pay the same amount of Interest, whatever may be its real rate per Cent. according to the current value of the Principal, are not obliged to repay the Principal; but

that when repaid, it must be paid according to the market price of the day, not exceeding Par, whether below or above the price at which it was borrowed, and whatever may, relatively to it, be the value of other Properties.

Without entering into the question, whether the present terms of liquidation are unfair or disadvantageous to the public, it may be surmised that if they be so, the effect may partly arise from making Capital or Principal the basis of adjustment, inasmuch as a certain sum of Surplus Taxation is applied as so much Capital to the discharge of a certain amount of the Capital or Principal of the Debt; according to the market price of the latter, without regard to the relative value of the Capital or Properties out of which that Taxation has been raised; the adjustment may therefore not be equitable, or if Funded Property and other descriptions of Capital or Property fluctuate in different ratios\* it may not be uniformly equitable; but by making Income or the Tax on it the basis of adjustment, a greater degree of equity is attainable. Though many, if not most, of the present Fundholders have acquired their Property at the higher prices of later times, and though also the relation in value of Capital in Land and Capital in the Funds may vary, the amount of the Income transferred by annual Taxation from the Owners of the former to the Owners of the latter, whether old or new Fundholders, is fixed and invariable; it appears therefore that Income or an equal Tax on it would form a fairer basis of liquidation. The procedure under a plan of redeemable Income or Property Tax would render more manifest that the Fundholders received and the Landholders paid no more than the fair consideration for that Interest which has been undeniably due to the former from the commencement of the Debt, which has ever been paid and must continue to be paid until the Principal be discharged, that the Creditor were put in possession of so much Real Estate or of such a direct charge on it as yielded to him the same amount of Income as he before possessed and as the Debtor surrendered, the

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\* The value of Funded Property does not at all times rise or fall contemporaneously or in an exact proportion with the value of Landed or other Property and Capital; the former is occasionally governed by circumstances which do not simultaneously affect, or affect in the same degree, the value of the latter.

one receiving directly from that Property the same amount as he had ever received from it indirectly through Taxation. Under an equal and redeemable Tax on Income, the alterations in value of Income and of Property which the changes in value of Money create would be less material, for, whether the real value or nominal amount of Income be considered, both parties after the settlement between them, would in point of Income remain relatively the same.

Anticipating however difference of opinion on any proposed adjustment between the Public Creditor and Public Debtor, it may be necessary to advert to a question which might be started, whether it would be unjust to the Fundholder that the Income derivable from Real Property awarded to him should be somewhat less than the Income he had received through Taxation, in consideration that his new Property would be of a more substantial, secure, and permanent nature, and that Incomes derived from Lands and Incomes derived from Public Securities have generally stood in that relation to each other; acting upon this principle, the Owner of Real Property would exonerate himself from a sum of Taxation greater than the sum of Income which he would part with in exchange for it; instead of being subjected, as under the Land Tax Redemption Act, to a loss of one-tenth of Income by paying an excess of Consideration at that rate beyond the Land Tax redeemed (from which excess however, it should be observed, the Fundholders do not derive any advantage) he would surrender a proportion of his Property, or pay in pecuniary consideration, rather less than the quantity or amount which would be adequate to the sum of Income Tax redeemed; or, if it were not deemed right that the Expences of the Proceedings on the Sales of Estates, and of all other charges attending the execution of the measure, should as just suggested, be defrayed out of the Revenue at large, so as to throw the burthen of them on all Classes, then it might be determined, as preferable to any other mode of making some difference in the terms of exchange which should be partially favorable to the Owners of Real Property, that the Fundholder rather than the Landholder, that the Purchaser and not the Vendor of the Estate, should be subjected to the whole of the expences, and for that pur-

pose that there should, in order to meet the whole probable expence of the measure, be a moderate deduction, at a fixed Rate, from the Property awarded or from the Consideration payable to the Fundholders, by which their new Incomes would be of proportionable less amount.\*

If it should be impossible by means of a redeemable Income Tax to effect so exact an adjustment between Landholder and Stockholder as that some degree of advantage should not, apparently at least, be derived by one or the other; yet, considering the improvement in respect of security, of independence and of substantial value of the Property and Capital to be possessed by both parties after the adjustment—the difference might be of inconsiderable importance; where the general state of the two Classes had been materially ameliorated, and placed on a footing which should be more satisfactory to both, it would hardly be matter of just complaint that one side had been benefitted rather more than the other. It may however be suggested that any difficulty in settling on a principle satisfactory to both parties the terms of exchange between the Public Creditors and Public Debtors, does not render a redeemable Income Tax in particular, objectionable; that difficulty presents itself under a Sinking Fund or any other plan of reducing the Debt. The terms of exchange being pri-

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\* The proposition of making any distinction unfavorable to the Fundholders may be approved by those persons who entertain the opinion that by an "equitable adjustment of Contracts" the Income of the Fundholders should be reduced to that level with the Income of other Classes above which they assert that the alteration in the Currency has raised it, (any specific terms of which adjustment they however do not propose); but there is a consideration of some weight, which though those persons may not admit it as affecting the justice of their opinions, seems to create a dilemma on this question, which is, that most of the present Fundholders have paid for their Property that addition to the original cost which the rise in the price of it since the Capital was first lent to the State has required, and which it may be presumed is equal to the increased value of the Income derived from it, and therefore though the the Public may be paying a greater annual Dividend than may appear to be due from it with reference to the original value or money amount of that Capital, it would not be fair that the present Fundholders should be treated like the original Loanmongers or first Purchasers of Funded Property, many of whom, had they remained to this time might probably from the increase of the value of Money have been in receipt of Income of greater value than the value of the Capital at the time they lent it would have now entitled them to.

marily settled on as just a principle as can be attained, it is contended that a redeemable Income or Property Tax will be the most effective plan for carrying them into effect.

A redeemable Income or Property Tax may perhaps be more confidently proposed in consequence of the virtual abandonment of an effectual Sinking Fund. As it has been held that a Sinking Fund increased or maintained the value and security of Funded Property, that on an expressed or implied condition of its continuance, Fundholders have vested their Capital or continued their investments, and that therefore its abolition is a breach of faith with them, so it may be held that to establish another measure of redeeming the National Debt, which would give to those Fundholders, whose Stock it would cancel, possession of Property more secure and independent and of Income of equal or adequate amount, and which to those Fundholders whose Stock remained untouched, would give the advantage derivable from a Sinking Fund, might be an equivalent for the loss of the Sinking Fund which would be justly due to the Fundholders.

*Comparison of the Scheme of a redeemable Income or Property Tax, for the purpose of reducing the National Debt, with Schemes of Assessment on Property and Capital of every Description, and particularly with the Scheme as advocated by Mr. Heathfield.*

With reference to the Scheme which has been proposed for discharging the National Debt by directly assessing Property and Capital of every description, it may be observed, that besides the great confusion and difficulties which would attend the simultaneous or the very rapid disposal of all kinds of Capital and Property contemplated in that Scheme, it would hardly be possible to lay down any practicable rules and methods by which all the varieties of Capital, fixed and moveable, could be brought under such valuation as that the contribution out of each species should be equal or proportionate to the rest; but it may be confidently assumed, that if the amount of the individual Contributions be regulated by the actual Income derived from Real Property, or by



an equal Tax on that Income, the Contributions will be obtained by an equal or a more equal standard.

On the plan of directly assessing all Capital whatever for the purpose of paying off the National Debt, it has been observed that "the Income Tax was imposed during the latter years of the War with very considerable fairness, and it is not easy to see why the Capital belonging to individuals might not be assessed with equal facility as their Incomes; the same sort of machinery by which the one was collected might serve to collect the other; and as the Assessment on Capital is not to be continued, but is to cease and determine at once, there could be no good objection to arming the Commissioners with powers on such an occasion which might perhaps be justly reckoned oppressive were they given them to enforce the collection of a constant Tax."\* Even if the Assessment on Capital could, as conceived by the Reviewer, be levied so that it might cease and determine "at once," such a plan would not be preferable to that of a general Income Tax made redeemable solely in respect of Real Property, not only because in making a Tax on the Income of Real Property the basis of Redemption, there would be greater equality in the Contributions of the various Ownerships of Properties, taken relatively to each other, but because Real Property would be justly and more easily relieved by the extension of the Tax to Incomes derived from other sources than Property. It may very properly be said, that "a Gentleman with a fortune of £10,000, yielding an Income of £500, out of which he is obliged to pay £100 towards the Interest of the Public Debt, is in fact worth £8,000, and, in the most unfavorable view of the matter, he would be equally rich whether he continued to pay this £100 a-year or made at once a single payment of £2,000."\* But it may be asked whether it is possible to effect this change with all individuals "at once by a single payment;" for various considerations much Time must be allowed, and in the interval, those who have earliest made their payments ought in justice to be proportionably exonerated

from Taxation ; but unless a general direct Tax were previously fixed on all Incomes, that exoneration could not be sufficiently enjoyed ; without such a Tax imposed in the first instance as the basis of the measure, it would be impossible to give full relief from Taxation when and where the sacrifice of Property and Capital had taken place, and to leave Taxation in operation on those only whose Contributions had not been made. Even if a period of years were allowed for paying the whole Assessment on Capital, and all Capitalists were bound to pay in each year at the same rate, an arrangement which might appear to meet the objection just started, yet extreme inconvenience and embarrassment would be experienced by many of them. Capitalists and their Capitals are under such different circumstances, that the surrender which could be made without detriment to one might ruin or seriously injure another ; but what the latter could not yield without ruinous consequences at one period he might without inconvenience part with at another, and therefore the necessity of admitting an option, not only as to the period of the payments, but as to the proportion in which each payment shall be made, so that the whole be completed within the stipulated time, an accommodating mode of proceeding which is safely allowable under the plan of a redeemable Income Tax confined to Real Property, is a strong ground of preference to that particular Scheme.

The Scheme advocated with great ability by Mr. Heathfield, of a general Assessment of 15 per Cent. on all Capital, Stock and Goods, approximates so far to a redeemable Income or Property Tax, as it proposes that Interest at 5 per Cent., charged on the value of the Capital, should be annually paid until its Assessment had been levied—the period allowed not to exceed 10 years ; but so various, fluctuating and uncertain are the values of the different species of Capital, that as an Assessment made on Capital itself would, as just observed, be more unequal than the Consideration for exoneration of Real Property, regulated by a Tax charged on the Income of it, so the same general annual charge of 5 per Cent. interest applied to all Capitals would be more unequal than a Tax charged on the actual Incomes of them and extended to all other descriptions of Income, considering not only the possessors of Capital relatively to each other, but all those Per-

sons who not possessed of Capital would contribute nothing under the former mode of charge. The precise ways and means by which Mr. Heathfield's plan could be carried into effect, are not detailed by him, but it is apprehended there would be more difficulties in the execution of it than in carrying into force a redeemable Tax on Real Property: the former would appear to combine the objectionable procedures of the Excise and of the Income Tax; not only all Capital must before Assessment be surveyed and valued, but the inquisitions of Stock, Goods, &c. must be annually or frequently repeated, as the quantities or extent of them varied, in order to charge the Interest as a Tax where the due amount of the Principal assessed had not been levied. On this point the Author remarks, "the inconvenience incident to an inquisition into the Estate and Property of every individual is undoubtedly very considerable, and for any inferior purpose ought not to be proposed; the purpose in question is however of the deepest concern to all who feel the value of social existence; distress and danger press, and if the measures now brought into view comprehend the means of extensive relief, of what comparative weight is the inconvenience objected?" It is to be observed, that this inconvenience would be much lessened, if Real Property only were subjected to sale or surrender; the proceedings in that case could less justly be complained of as inquisitorial. The value of any particular Lands or Houses is no secret, it is in general known to neighbours or connections, or it can be ascertained without obnoxious procedure or exposure, but it may be inconvenient if the value or the quantity of any particular Stock or Goods in each person's possession be made known beyond himself; both the quantity and value are constantly varying, and could not be ascertained for the purpose of direct Taxation on it without frequent vexatious inquisitions.

On an anticipated objection to the plan advocated by Mr. Heathfield he observes, "it is admitted that the Stockholder would enjoy an apparent advantage; 3 per Cent. Stock, under the influence of the measures recommended, would advance to £100; the Contribution of the Stockholder being only 15 per Cent. he would receive £85 for what would now in the market produce

“ only £70.\* Upon the reinvestment of his money on Govern-  
 “ ment security, at 3 per Cent., he would however receive but  
 “ £2 11s. per annum, say 3 per Cent. on £85 instead of £100;  
 “ his Income would be reduced 15 per Cent.; and in that way  
 “ an equality with the situation of the Landed Proprietor would be  
 “ produced :† if indeed the Capital should not again be advanced  
 “ on Government security, or when finally paid off, the Stock-  
 “ holder would obtain an advantage, but not more than he would  
 “ have obtained in the market, as now constituted, whenever any  
 “ considerable reduction in the quantity of Stock should have  
 “ been effected; and it will not be contended that the Nation is  
 “ for ever to be oppressed with Debt to prevent the Stockholder  
 “ from obtaining £100 for the £100 which the Bank books record  
 “ in his name. The objection applies rather to the principle on  
 “ which the Stock has been created, than to the principle on  
 “ which it is proposed that it shall be redeemed.” The effect  
 here contended for by Mr. Heathfield with reference to his pro-  
 posed Scheme, would equally be realized under a Scheme of Re-  
 demption and Exoneration confined in form and proceeding to a  
 Tax on Real Property, for the Tax, extended to the Interest of  
 Funded Property, would virtually be a tantamount reduction of  
 the Interest of the Stockholder, and at once (as it might be de-  
 clared to be) a cancellation of a proportionate sum of Principal  
 Stock. The point then in question may reasonably be, as Mr.  
 Heathfield conceives, not what amount of Principal, what sum of  
 Money may be returned to the Stockholder for that part of his  
 Stock for which he would receive a due value out of the Consider-  
 ation paid by the Owners of Real Property, but what sum of In-  
 come that money would afterwards obtain for him, whether it be  
 re-invested in the Funds or be laid out on Land, Houses, or in  
 Trade. As the demand for Stock would be coeval with an equal  
 demand for investment in Real Property, there seems every pro-

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\* The price of Stock at the date of Mr. Heathfield's publication, 1819.

† “ It may be presumed that the Accountant General, most or all the Corporate  
 “ and other Public Bodies, and Charitable Institutions, the generality of Trustees,  
 “ and many Individuals, on their own account, would avail themselves of an oppor-  
 “ tunity of re-investing the amount of Stock held by them or in their names, on Go-  
 “ vernment Security, if paid off, and the opportunity were presented.”

bability that the different Properties would maintain their proper relative value. On the above quoted passage the following remark has been made :—" But if the system of Contribution of Capital be gone into at all, there seems to be no injustice in paying off the Fundholders at the price at which they purchased; no man at present holding Property in the Funds purchased in the belief that Government would ever pay him or his heirs £100 sterling for £100 Stock—he invested his money in the Funds as a place of deposit, to draw the Interest in the mean time and sell out again when convenient. Parliament frequently compels individuals to surrender their Property for the public good upon receiving a fair compensation, and there is no reason why the Fundholder should be exempted from the rule. As to any supposed impropriety in the Nation purchasing up the claims against itself at a lower price than its obligation to pay, it may be answered that it is daily done if the Sinking Fund does any thing, for the object of that Fund is to purchase up at the market price for behoof of the Nation the claims of the National Creditors."\* But if this market price should by an extraordinary demand for Stock, such as the purchase of it by money raised to a large extent under an Assessment on Capital or by Redemption of Income Tax would create, be raised to £100, it would not seem consonant with justice, even had there been no engagement to the contrary existing, that the Stockholder should be compelled to take his Capital at the price at which he purchased, however much below that market price; he seems entitled to such a consideration as would place him in point of relative Income as fairly as he previously stood as a Stockholder. The Sinking Fund in purchasing up at the market price has never yet *forced* any Creditor to sell his Stock at a price lower than the sum he gave for it—all sales to the Commissioners for reducing the Debt have as yet been perfectly optional on the part of the Vendors.

A serious objection made to the Scheme proposed by Mr. Heathfield is, that the Capital of Trade and Manufacture is comprehended in its operation. As has been observed by the objectors

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\* Blackwood's Magazine, 1820.



to this part of the Scheme, all such Capital is perishable, or it may be transferred and exported. A large proportion of Goods, Merchandize, &c. or the worth of them in Money could not be surrendered without extreme embarrassment to Trade, &c. and without the risk, by such an extraordinary loss or diversion of Capital, of throwing numbers out of employ. There would be no security of the solvency of the Holders assessed for Capital or of either Holder or Capital remaining in the Kingdom; there would then be great difficulty in attaching Trading Capital so as to secure the Contribution due from it in a just and convenient manner. If a man possessed, when the Assessment was first made, a certain amount or quantity of Capital, and was rendered liable for the whole of that Assessment, but was allowed a certain period for discharging it, the transfer of that Capital to other persons might disable him from making the payments as they became due, or he might be unable to obtain any reimbursement due to him from those into whose hands it had gone; if the liability were to be shifted from person to person with the Capital itself, it would hardly be possible to trace and identify it through all its changes. The amount of Capital in the same person's possession might vary in every year of the period allowed for discharging the Assessment, the consequent necessary alterations in the Assessments would create extreme confusion and inconvenience. But it may be observed, that in subjecting Real Property only to Redemption no such difficulties could occur; little or no inconvenience would arise when that Property were transferred to other Owners, and as it is immoveable it could not escape the effect of its responsibility. Real Property seldomer varies in value, quantity or extent, and though it constantly changes hands, any existing contract or obligation to redeem the Tax on any particular quantity would be no bar or difficulty to the transfer of it; a new Owner, obliged to redeem the Tax or complete a previous Owner's contract not wholly fulfilled, would give so much less purchase money for the Property. With respect to Trading Capital, after an individual had discharged the Assessment on it wholly or in part his Trade might decline and himself become a Bankrupt, in that case he would have made a sacrifice for which he could receive no benefit; but from the imperishable nature of Real Pro-

perty it would not be subjected to such a contingency, the Owner would with certainty derive an adequate and permanent advantage for the sacrifice made out of it.

It has been also objected to the Scheme of assessing all Capital that much of it would be transferred to hands unfit for the use of it; that objection may be of some force if it is to be supposed that Fundholders must take Capital in Goods and Merchandize and turn Traders, whether competent to any concern in the way of Trade or not; although that necessity might not in general follow, there would in many cases be great difficulty in disposing of Goods, &c.; but if the measure be not extended beyond Real Property, the objection would less extensively apply: Fundholders could receive portions of Lands and Houses, and be converted into Landlords without detriment to the Property or to themselves; most of the present Owners of Lands are but mere Receivers of Rents, and but few Owners, excepting those who are also Occupiers of their own Lands, pay more attention to them than Fundholders in general converted into Landowners could give them.

As one of the objections started against Mr. Heathfield's Scheme (but which he does not apprehend to have any force) is that a levy of such an extraordinary sum as it contemplates for paying the National Creditors cannot be carried into effect without a great quantity of Money or Circulating Medium, it may be observed, as shewing another probable advantage of a redeemable Income Tax, that it is most likely that on the repeal of the present Taxes and the substitution of the Income Tax much Circulating Medium would be left at disposal; the change if producing such an effect might facilitate the measure of Redemption of the Tax.\*

An observation of Mr. Heathfield concerning Mortgaged Lands under the Scheme advocated by him is equally worthy of attention under the Scheme of a redeemable Tax on Real Property. " If it be supposed that the Estate be under mortgage, the adoption of the measure becomes the object of more anxious desire.

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\* Vide Observations, page 76.

“ In the instance of an Estate worth £60,000 under mortgage for £40,000, the great effect of the incidental relief would be experienced by the Mortgager; upon him the effect of the earlier deficiencies of Rent would fall, over him the risk of foreclosure and sale (through his inability arising from the non-payment of Rent) impends; the relief in respect of the whole Estate is the relief of the Proprietor, and the relief in respect of his personal or individual Expenditure is also proper to himself. The price of that great range of benefit, so long as the mortgage continue, must be borne to the extent of two-thirds by the Mortgagee. The whole class of Property under mortgage would therefore be assisted and relieved in a peculiar and unexpected manner. It is not possible that objection or difficulty can arise on the part of this description of Proprietor.

“ And the Mortgagee would have sufficient motive for the cheerful payment of the Contribution to be required of him if he expend the Income of the Mortgage within the Kingdom, in the great relief which he would experience in the removal of the general burthens. If the Mortgagee do not expend the Income of the mortgage within the Kingdom, or do not expend it any where, the advantage of the measure must be seen still more forcibly in the subjection to contribution of a class of persons who would otherwise receive large advantages under the social compact without making any social return.”\*

The following remarks extracted from a Review† refer to the plan advocated by Mr. Heathfield. The Reviewer reasons on the supposition that the plan, in order to answer its professed or proper purpose, must be completed within a very short period of time and extend to the whole of the National Debt: as the difficulties anticipated in that case by the Reviewer comprehend objections which may be conceivable also against a plan of any kind for reducing the Debt by a levy on Property and Capital, they may, for the

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\* “ The Mortgagee might, perhaps, attempt to throw the whole of the Contribution upon the Proprietor, which if necessary might be guarded against by Legislative provision. See Property Act, 46 Geo. 3, Cap. 65, Sect. 195.”

† Edinburgh Monthly Review, February 1820.



sake of argument, be taken as applicable also to a redeemable Tax confined to Real Property, though as the completion of the latter is not, upon the plan suggested in this Work, designed for such dispatch or for such extent as the Reviewer contemplates in his consideration of the object of Mr. Heathfield's plan, they are applicable in a much less degree.

“ We are of opinion that the fair way to try the principle of  
 “ Mr. Heathfield's plan is to suppose it put into compulsory operation upon a large scale, and within a limited period of time,  
 “ because it is in this form alone that it can be made effectually  
 “ to answer the professed purpose of the Author, by procuring an  
 “ immediate relief from Taxation and by the sure and speedy  
 “ liquidation of the Debt. Let us suppose, then, that not a part  
 “ only, but the whole of the existing Debt is to be liquidated, in  
 “ the space of one or two years, by Assessments in respect of Property, and that Property to the extent of £500 or £600 millions  
 “ sterling must be suddenly brought to market and sold. This is  
 “ not much less than a fourth of the whole Property of the Country, according to Dr. Colquhoun's estimate. What would be  
 “ the consequences of so large a compulsory sale, if indeed it  
 “ were at all practicable under any circumstances? Would not  
 “ Property of all kinds become a mere drug in the market; and  
 “ by the enormous reduction of price which must ensue, would  
 “ not every Proprietor in the Kingdom be forced, in order to  
 “ liquidate the Assessment laid upon him, to sell an extent far  
 “ exceeding the proportion which at the present rate of price  
 “ would be necessary? Not a fourth only, but perhaps a half or  
 “ more of the entire Property of individuals would of necessity be  
 “ brought to market in consequence of the unprecedented depression of price which could not fail to ensue. Money being  
 “ the only medium through which the Assessments could be discharged, would come into universal requisition, and its value  
 “ with respect to all kinds of Property would rise out of all assignable proportion. The Legislature might indeed impose  
 “ upon the Stockholders the obligation of taking Land or other  
 “ Property at a certain valuation, in discharge of the debts due  
 “ to them; but in what manner could the proportions be adjusted

“ and the sub-divisions of Property be made? There are various  
 “ kinds of Property—Machinery, for instance, which in this Coun-  
 “ try is of great value, and which could not without destruction  
 “ be sub-divided so as to take from it 15 or any other per Centage  
 “ of the total value, and which, if disposed of at all, must be dis-  
 “ posed of entirely. Even in the case of Land, how would it be  
 “ possible, without the greatest loss and inconvenience, to dissect  
 “ an Estate so as to give off 15 per Cent. of the whole to the Stock-  
 “ holder; or how can the claims of individual Stockholders be  
 “ adjusted to the surrenders made by the parties assessed? Would  
 “ you assign to the Stockholder the shreds of Land insulated and  
 “ detached as they had been surrendered, perhaps by fifty Contri-  
 “ butors to the Assessment? The more the subject is considered,  
 “ the more will the project of assigning to the Stockholder the  
 “ actual Property at a valuation be found inextricable, and the  
 “ more it will become apparent that this violent scheme of Re-  
 “ demption, if it be practicable in any form, can be executed  
 “ only through the medium of sales so extensive and ruinous that  
 “ it seems problematical whether, in the progressive reduction of  
 “ price which every new sale must accelerate, the sacrifice of  
 “ Property to any amount would be sufficient to liquidate in  
 “ Pounds sterling the actual Debt, or to perform to the Public  
 “ Creditor the obligation contracted in his favor in the only shape  
 “ in which he is bound to receive performance.

“ The actual price of all kinds of Property is regulated by the  
 “ actual demand for it; or in other words, by the amount of that  
 “ floating Capital which seeks a convenient and profitable oppor-  
 “ tunity of being invested in Land, Machinery, &c. This floating  
 “ Capital at any given period exhibits but a small proportion to  
 “ the entire value of the Property in which it is destined to be  
 “ absorbed; and if, besides the ordinary and average sales of  
 “ Property occasioned by the necessity or convenience of the  
 “ Proprietors, additional Property to the extent of £500 or £600  
 “ millions were thrown into the market, and compulsorily sold,  
 “ the depression of price which would arise must surpass all cal-  
 “ culation. The relation betwixt the amount of Property brought  
 “ to sale and of Funds destined for its purchase would be wholly  
 “ deranged. It has been suggested in answer to this, both by

“ Mr. Heathfield and Mr. Ricardo, that the Capital disengaged  
 “ by the Redemption of the Debt, and applicable to the purchase  
 “ of Property, would correspond to the amount of the additional  
 “ sales, and that the equilibrium would thus be restored. We  
 “ consider this view of the matter to be wholly fallacious. It  
 “ must be kept in view, that the moment the Redemption is en-  
 “ acted by the Legislature, the sale of Property becomes impera-  
 “ tive and unavoidable, and that every Capitalist can reckon with  
 “ perfect assurance on entering within a limited period a market  
 “ glutted with Property, where he will be able to make his pur-  
 “ chases upon his own terms. He will therefore wait with patience  
 “ for the event, and in the meantime find occupation for his Ca-  
 “ pital in some speculation, either at home or abroad, or throw it  
 “ for a while into the Funds of some Foreign State. It appears  
 “ to be forgotten besides, that the sales, by the produce of which  
 “ the Stockholder is to be paid, and to be put into the condition  
 “ of becoming a Purchaser of British Property, must precede the  
 “ realizing of his Capital; and that the very Fund which it is erro-  
 “ neously supposed must sustain the price in the general market  
 “ can come into existence only after the market shall have been  
 “ closed. The sales, moreover, are compulsory, for the Assess-  
 “ ments must be paid; but the purchases are of course voluntary,  
 “ because it is optional to the Stockholder *when* he shall invest  
 “ his Capital in Property, or to what amount he shall do so. We  
 “ do not say that in such circumstances the re-investment will not  
 “ ultimately take place; but we ask *upon what terms* it is likely  
 “ to be effected in a case where the one party is compelled and  
 “ the other remains at liberty to do as he pleases? Is there a Ca-  
 “ pitalist who, knowing with certainty that Land and other Pro-  
 “ perty to the enormous amount of £500 or £600 millions must  
 “ within one or two years be brought to market, would think of  
 “ making any purchase till the utmost imaginable point of de-  
 “ pression had been reached? The certainty that he can make  
 “ his purchase at any time—that every day must be adding to the  
 “ advantages with which he will come into the market—that as  
 “ the final period approaches for paying up the supposed Assess-  
 “ ments a more various choice will be presented to him, and more  
 “ beneficial terms obtained by the progressive and inevitable de-

"pression of prices; the strong indisposition which every man  
 "must feel towards buying a subject which is every day sinking  
 "in value; these and other obvious considerations would tempt  
 "the Capitalist to withdraw himself from the market to the very  
 "last moment, and until the most destructive sacrifices had been  
 "consented to by the unhappy class of Proprietors. Even if the  
 "Public Creditor could be in a condition to purchase at the very  
 "outset, and could apply that Capital which can arise only out of  
 "the proceeds of the sales in accelerating the sales themselves, it  
 "is manifest that if he be possessed of common prudence he will  
 "rather risk the temporary employment of his Capital abroad than  
 "invest it in Property at home, of which the Legislature, by enact-  
 "ing the sale to an enormous extent, would manifestly have re-  
 "solved the indefinite depreciation.

"Looking therefore at the only efficient form in which the plan  
 "of Mr. Heathfield could be put in operation, we must fairly con-  
 "fess that it appears to us to be impracticable but at the hazard  
 "of general ruin; and with this view of the matter profoundly  
 "impressed upon us, we confess we are the less solicitous about  
 "enumerating the more detailed objections to which we think his  
 "project exposed in its more minute developments. We are  
 "aware that we may seem to have taken a stronger view of the  
 "difficulties of the operation recommended by him than is jus-  
 "tified by an examination of his plan, and that we may be thought  
 "to have done him wrong in assuming that the Debt is to be paid  
 "off at par, without regard to the amendment of the Scheme in-  
 "dicated by Mr. Ricardo in his speech, where he suggests that  
 "the Redemption may be accomplished at the market price of  
 "Stock, to be ascertained by Commissioners named by Parliament.  
 "Mr. Heathfield himself, however, does not, even in the last  
 "edition of his pamphlet, include this suggestion among the faci-  
 "lities enumerated by him for the execution of his plan; and we  
 "confess we have great doubts of the soundness of the principle  
 "upon which it proceeds. Upon what ground is the Public Cre-  
 "ditor to be compelled to part with his Stock at the market price,  
 "or at any price short of that which is stipulated by the original  
 "contract with Government? It is nothing to the purpose that

“ he cannot obtain more for it in the market, and that he may  
 “ really appear to suffer no substantial loss by this compulsory  
 “ Redemption. The Stock is Property to the Stockholder ; it is  
 “ often the most convenient form in which his Capital can be in-  
 “ vested. If it were practicable for Government to pay off the  
 “ whole Debt at once, there cannot be a doubt that the Creditors  
 “ would be put to material inconvenience, and would probably  
 “ sustain very great loss before being able to find a new and be-  
 “ neficial employment for their Capital. Every Public Creditor  
 “ besides is entitled, under the equitable construction of his con-  
 “ tract, to all the possible chances of future gains by the rise of  
 “ the market price of Stock, and we will add, by the probability  
 “ which exists, in the present state of the Country, that some  
 “ vigorous measures must soon be adopted to accelerate the  
 “ operations of the Sinking Fund and the partial Redemption of  
 “ the Debt, an operation by which the price of Stock will of course  
 “ be considerably enhanced. Upon what principle are you to  
 “ demand of him the sacrifice of these advantages by compelling  
 “ him to dispose of his Property at the market price ? The mea-  
 “ sure, it may be said, is for the public good, and the interest of  
 “ individuals must yield to the general advantage. This is true  
 “ when the interest to be sacrificed is comparatively unimportant ;  
 “ but the mass of Property to be acted upon in the present instance  
 “ is too great for the application of a principle so anomalous.  
 “ The Legislature will compel an individual, or a small number  
 “ of individuals, to surrender parts of their Property at the market  
 “ price, that a road, a canal, or a street may be carried through,  
 “ or some other object of public utility may be accomplished, but  
 “ one cannot easily figure the pretence of general expediency  
 “ which could justify Parliament in compelling all the Proprietors  
 “ of one or of ten Counties to sell their Property, even at a fair  
 “ valuation, and to seek employment for the price in undertakings  
 “ to which they may be perfect strangers. Every man’s Property  
 “ is, at common law, assured to him in the specific form in which  
 “ he has acquired and holds it, and he cannot be forced to accept  
 “ of an equivalent for surrendering it. The rule is violated only  
 “ when the sacrifice required is insignificant, and it is that very

“ insignificance which appears to sanction the violation. But the  
 “ character of the transaction is essentially changed when a com-  
 “ pulsory sale of Property, to the extent of £850 millions, at the  
 “ market price is proposed ; the fourth part of the Property of the  
 “ Community is here in question ; and if you can thus act forcibly  
 “ upon so large a part, no reason can be discovered why, in a  
 “ different emergency, the interest of one half of the people  
 “ should not be sacrificed to the other. The magnitude of the  
 “ resisting interest is in such a case too formidable to admit the  
 “ application of the principle contended for. The principle itself  
 “ is the violation of the general and sacred rule which protects  
 “ the right of Property, and although in the *application* of such  
 “ rules the importance or insignificance of the interest at stake is  
 “ nothing, yet it is every thing in a question as to their *infraction*.  
 “ The Public Creditor is no favorite with those who look with  
 “ jealousy upon the long course of political measures on account  
 “ of which the immense Debt has been contracted ; he is repre-  
 “ sented as an ally of the corrupt system, and any harsh treat-  
 “ ment towards him would, in certain quarters, be contemplated  
 “ with great equanimity ; but besides that the public faith and the  
 “ honor of the Nation are inseparable from the most scrupulous  
 “ fulfilment of its obligations, those who take a different view of  
 “ the policy of the last thirty years may be pardoned for thinking  
 “ that the large Capitalists who, from whatever motives, contri-  
 “ buted so essentially in perilous times to invigorate the energy  
 “ and sustain the hopes of their Country, are entitled to any thing  
 “ rather than the suspicion and odium which have sometimes been  
 “ cast upon them.”

The Consideration necessary for the liquidation of the National  
 Debt, whether the liquidation be effected on the plan of a re-  
 deemable Income or Property Tax or of a direct Assessment on all  
 Property and Capital, would be raised,

1. From Funded or other disposable Personal Property.
2. By sale or surrender of Real Property.
3. By borrowing Money on Mortgage or Personal Security.
4. From Savings out of annual Income.

It is conceived, whether the time allowed for completing the whole Assessment or Payment were so limited as the Reviewer considers necessary for the due fulfilment of the object of Mr. Heathfield's Scheme, or whether the time allowed were more ample, as contemplated in the execution of a redeemable Income or Property Tax, that the Stockholders, who command the greatest part of the disposable monied Capital of the Country, would *of immediate necessity* come forward, without gaining the undue advantage apprehended by the Reviewer, to meet, as auxiliaries, the Owners of other Property, if the latter raised the Consideration in either of the first three of the ways just mentioned; that the Stockholders would necessarily and at once become Purchasers and Mortgagees, or Lenders on equitable terms, whether the transactions were individually and directly between them and the Land Owners, Government not receiving the Consideration but only superintending and guaranteeing the transactions, or whether they were carried on between them indirectly, the Owners of Real Property paying the Consideration to Government and Government transferring it over to the Stockholders. So far as the Consideration might be provided in the 4th and last mentioned way, the co-operation of the Stockholders would not be needed. It might happen just on the commencement of the measure that a few Landholders would have to pay their Consideration before the Fundholders, to whom it would be transferred, would be obliged to make a fresh investment of it; the precedence, creating the difficulty in the mind of the Reviewer, would be in the first instance only, and even then the transactions on the two sides would be in such quick succession as would probably be equal in effect to a simultaneous operation; certainly, after the first start of the measure, the number of Stockholders or the amount of Stock seeking other investments would at least be equal to the number of Owners, or to the amount, of other Property seeking Purchasers or Mortgagees of it; the Owners of Real Property would not have occasion for Money to a greater amount than that which the Stockholders must at the same time be endeavoring to dispose of: very few if any of the latter would be willing to depend on the mere chance that time might afford them more advantageous investments, or would be able to bear the loss of Income during the interval with the anxiety of keeping their Capital in an idle and un-

productive state. Considering the great proportion of Owners of Real Property, who are also Owners of Funded or other personal Property, or who could raise the required Consideration gradually out of savings of Income, and who would thereby be placed out of the necessity of parting with Real Property, the disadvantage would not, as apprehended by the Reviewer, be on their side; it might rather be feared that any difficulty would be on the side of some of the Stockholders, in obtaining other investments, unless the measure went to the extent of assisting to provide the same for them as suggested for consideration under a preceding head.\*

In answer to the imputation of injustice in "compelling all the Proprietors of one or ten Counties to sell their Property even at a fair valuation, and to seek employment for the price in undertakings to which they may be perfect strangers," it may be observed, understanding Proprietors to mean Land Owners, that they would have no employment to seek for the price of the Property surrendered or sold by them—their sole undertaking would be a co-operation in the proceedings for that purpose, which would not be attended with much difficulty or any real grievance; the result would be an extrication from Debt, which, if it did not produce to them future gain, would not leave them in a worse state than they were previously in; if the term "Proprietors" means Owners of Funded Property, it may be said that these are bound in law and justice to relieve their debtors from a state of debt by receiving back the amount of the Debt whenever offered to them. Although difficulty might occur with some Stockholders in the future disposal of their Capital, it is not apprehended that the transfer of Capital to other Countries would be either a desirable or a practicable alternative with a large portion of them; most of them are so circumstanced, particularly those who are holders in trust, that they would prefer the smaller rate of Interest of an investment in this Country with greater security and other advantages, to a larger rate of Interest attainable in other Countries with less security and with other disadvantages; or if they vested their Capital to any great extent in Foreign Funds, it would, as before surmised,†

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\* Page 307.

† Vide page 45.



be an evil which would quickly remedy itself. The small comparative amount of other National Debts would not admit of investments in them of large amount without such a great and rapid rise of the price of them as would soon stop the demand and throw back the English Stockholders upon the resources of their own Country. With reference to the anticipated difficulty on this head, and in answer to the objection of the Reviewer to the plan of Mr. Heathfield as defective in not providing for the redemption of the whole sum of the Public Debt, Mr. Heathfield has observed,

“ The situation of persons who might be compelled to receive  
“ back without any means of employing Capital, is undoubtedly to  
“ be considered, and admits the consideration required.

“ The case supposed includes three particulars ;

“ First.—That the security of the British Nation for the Prin-  
“ cipal and Interest of Money is so desirable, at least for a  
“ time, as to threaten great inconvenience if entirely with-  
“ drawn.

“ Second.—And consequently, that if means could be found  
“ to redeem the National Debt, loans of Money would be  
“ tendered to the State at a very moderate rate of In-  
“ terest.

“ And,

“ Third.—That it would be expedient to continue some part  
“ of the objected remainder of £350 millions of Stock, for  
“ a time, in order that persons who have sunk their money  
“ and adjusted their habits of life to the accommodation  
“ of that description of security, and also public bodies and  
“ official and other trusts, to whom such security might for  
“ a time be of great importance, might not be exposed  
“ suddenly to the inconvenience anticipated by the Re-  
“ viewer.

“ Upon these grounds the Author has not felt desirous of press-  
“ ing the whole object into immediate execution. Upon these  
“ grounds he has presumed that money to great extent would be  
“ proffered to the British Government at 3 per Cent. in the event  
“ of Government Securities ceasing to be the subject of sale at  
“ market.

" Great individual inconvenience might ensue from the hasty  
 " redemption of the whole of the Government Stock. The Au-  
 " thor's proposal does not proceed upon the view of the imme-  
 " diate redemption of the whole: he is fully aware of the great  
 " extent of inconvenience which might ensue from the sudden  
 " breaking down of the whole system, and he feels the value and  
 " importance of that consideration to the Country. The change  
 " to the Nation would be great and beneficial indeed, from the  
 " condition of necessitous borrowers, upon terms which as be-  
 " tween individual and individual would bear the character of  
 " enormous, complex and indefensible usury, to the situation of  
 " depositaries of money, at moderate interest, for the special con-  
 " venience and accommodation of individuals or associates, be-  
 " cause that description of security became the object of request  
 " or desire, under circumstances which would not fairly justify  
 " the refusal. That great change is one of the most desirable of  
 " the consequences to be anticipated from the undertaking to  
 " liquidate the Public Debt.

" The refusal of the security of the Government at 3 per Cent.  
 " interest would probably not be judicious, in respect of a nume-  
 " rous class of the present Stockholders, and within certain limits  
 " as to amount, each of such persons might be allowed the privi-  
 " lege of advancing money to Government, for a period of time,  
 " to be limited at 3 per Cent., the Principal of the loan not being  
 " subject to fluctuation. Without pretending to anticipate to  
 " what extent this accommodation would be required, it is suf-  
 " ficient to suggest that it would be unnecessary to displace the  
 " whole body of Stockholders, without regard to the situation of  
 " individuals: the object proposed is the national good, the good  
 " of all who constitute the Nation, and the oppression or injury or  
 " even severe inconvenience of any individual now constituting  
 " any part of the whole is unnecessary for any purpose con-  
 " templated.

" It is clear that regard may be had to the circumstances of  
 " persons, who, being actual Stockholders, would be exposed to  
 " inconvenience if deprived of the advantage of the security of  
 " the Government. But however proper it may be to keep that  
 " object in view, other means of investing money would arise out

“ of the liquidation of the Debt; particularly in the specific Mort-  
 “ gage of Landed Property, provided money for that purpose  
 “ could be obtained at 4 per Cent. It is sufficiently plain that all  
 “ immoveable Property is deeply mortgaged to the Public Credi-  
 “ tor. It is proposed that this general, undefined and over-  
 “ whelming mortgage be reduced and defined in respect of the  
 “ principal part, as a mortgage (without the form of security) to  
 “ the extent of 15 per Cent. on the value of Property, and, that  
 “ until the mortgage be redeemed, Interest after the rate of 5 per  
 “ Cent. per adnum, be paid on such amount. That is the true  
 “ character and definition of the proposed measure: call it a re-  
 “ deemable Property Tax, or a defined Mortgage, with great fa-  
 “ cilities for the redemption, the measure remains the same. Con-  
 “ sidered then as a Mortgage to the State, without the form of a  
 “ Mortgage; provided securities for the advance of money should  
 “ be required by persons to whom Capital might be paid over by  
 “ the Government in satisfaction for Stock; and that such Capital  
 “ would be advanced on specific Mortgage, as between individual  
 “ and individual, at 4 per Cent.; the facilities wanted would be  
 “ presented. The Proprietor of the immoveable Property would  
 “ be enabled to pay to the Government the full amount of the  
 “ Assessment, which, again, would accelerate the liquidation of  
 “ the Debt: he would be relieved to the extent of 1 per Cent. on  
 “ the Interest of his Mortgage, and by such means advanced in  
 “ his object of redeeming his Property entirely out of mortgage;  
 “ and the Ex-Stockholder would obtain an eligible security for  
 “ the money which he might desire to invest at interest.

“ Should a Metropolitan Bank of Deposit be established, these  
 “ operations would be conducted with peculiar facility.

“ The Funding System derives its strength from the great ex-  
 “ extent and variety of persons and associations seeking the safe  
 “ and easy means of securing Interest for Money, and the assur-  
 “ ance of the restitution of Capital when required. Persons and  
 “ associations of that description are the foundation and support  
 “ of that system; it may fairly be presumed that a considerable  
 “ proportion of that class of Stockholders, if not presented with  
 “ more advantageous Government Security, would accept such  
 “ security at 3 per Cent. Interest, without being ruled by the

" general rate of Interest; and that in the event of Government  
 " Security being withheld, on the provision of other forms of se-  
 " curity, by the establishment of a Bank of Deposit or otherwise,  
 " the like rate of Interest would be accepted under the new secu-  
 " rity. The Stock standing in the name of the Accountant Ge-  
 " neral is supposed to exceed £30 millions. The Assurance  
 " Offices held large amounts of Stock, and the Stock held by  
 " Trustees to Charitable Institutions, trustees in many other of the  
 " great variety of trusts, and belonging to elderly and infirm per-  
 " sons, must extend to a very large amount. These several de-  
 " scriptions of Stockholders could only require the security of the  
 " Government until the accommodation of other sufficient modes  
 " of security could be provided; and if in the result it should be  
 " found that the Government Securities, even at 3 per Cent.,  
 " would not be relinquished so speedily as the power to redeem  
 " the Debt and the general interests of the Country would render  
 " desirable, it would be better even that some inconvenience  
 " should be borne, for a limited time by the whole, than that the  
 " departure from a long established system should press heavily  
 " upon the interests of any individual incorporated in the sys-  
 " tem.

" The Author therefore ventures to presume,

" That apprehension need not be entertained with reference to  
 " the forced payment of Capital to the Stockholder.

" That the continuance, for a time, of some remainder of Stock  
 " may be contemplated as a convenience and recommendation,  
 " and not as an objection :

" And,

" That there are sufficient grounds for concluding, without  
 " supposing the reduction of the Interest of Money for the active  
 " purposes of business, that Government Security would be in  
 " request, at the rate even of 3 per Cent. Interest."

It is conceived that the objection to an instantaneous or rapid  
 disposal of all the Property necessary to discharge the Debt is not  
 so much any danger that an unfair advantage would be gained by  
 one class at the expence of the other, as that the sudden or very  
 quick reduction of the National Debt to a large amount would  
 create too hastily and violently a change in the relative state of the

different Classes of Society of a very serious nature and magnitude, and that mischievous confusion might ensue therefrom to *all* Classes; it might also be utterly impossible to complete satisfactorily the whole of the proceedings necessary to accomplish such an extensive change at once or in a very short period of time. The creation of the Debt and the present state of Society arising from it was the progressive work of time; the discharge of the Debt and the return of Society, or of a great part of it, to its original state must be also a gradual operation. Two-thirds of the present amount of the Debt was incurred during the late War, a period though exceeding twenty years, yet probably too short for the accomplishment, without much partial inconvenience, of the extensive change which took place within it: it is proposed to discharge about that proportion of the Debt by a redeemable Income or Property Tax, and the same, if not a longer, period of time may be reasonably assumed as necessary for the gradual execution of it, with reference not only to the extraordinary amount of the Capital to be provided, but to the long duration of that particular mode of distribution of a large sum of the National Income which the Debt has established, and which, however objectionable it may be, or however beneficial ultimately it might be to put an end to it, cannot be disturbed suddenly to a great extent without much temporary mischief—to get rid without inconvenience and injustice to Debtors or Creditors of any number of millions of Taxation it may perhaps be sufficient to discharge annually at the rate (say) of £1 million of Interest of the Debt, and consequently of an amount of Taxation rather exceeding that sum. The Debtors would then easily provide in every year for the discharge of so much of the Capital remaining to be discharged after the amount cancelled by the Tax on the Creditor's portion of it had been deducted, as it might be deemed expedient to discharge. Whether if a compulsory Redemption were limited to cases of changes in Ownership of Property, it should be extended to changes by inheritance and devise, or whether it should be confined to changes by purchase would be a question of expediency; however that point might be determined, it is anticipated that there would be a voluntary Redemption from year to year to such an extent, as together with compulsory Redemption in some degree on changes of Ownership, would effect as quick a discharge of the required

amount of Debt as would be expedient: it may even be hoped that the extent of voluntary Redemption would be sufficient, for some years at least, to obviate the necessity of any compulsory Redemption whatever.

At whatever rate of cost and within whatever period of time the discharge or diminution of the Debt could be most advantageously effected, a redeemable Income or Property Tax is the most expedient means for the *gradual* accomplishment of it, not only because an equal Tax on the Income of Property is the best standard by which Property can be made to contribute to the discharge of the Debt, but because as the discharge of the Debt in a fair and prudent way must be the work of time, the measure of a redeemable Income Tax is the most safe and secure basis to depend on during the period of operation: the superior advantages which also, as a system of Taxation, the Income Tax possesses, add to that safety and security. It may therefore be more sanguinely hoped that the firm and just foundation on which a redeemable Income or Property Tax would stand, would not only ensure the successful accomplishment of its object, but that it would be met in the manner most to be desired, that is, voluntarily and cheerfully, by the Owners of Real Property, under a feeling on their part of perfect reliance on the honorable principle and on the stability of the measure.

The necessity that any plan, if it extended beyond Real Property to every description of Capital whatever, should be at once carried into execution, would not arise for the reason assigned by the Reviewer, in his understanding of the object of the plan propounded by Mr. Heathfield, that is, immediate relief from Debt and Taxation, or for that reason only; but the necessity would arise principally from the changeable and perishable nature of a great portion of moveable Capital; the plan must be quickly executed while Capital remained, in each case, to that extent, and in that individual possession in which it would be when first assessed; it would hardly seem possible, on grounds before stated, to make the levy of it an operation of long time. With respect to the supposed necessity of immediate relief from Debt and Taxation, it may be observed, that as an adequate value in Property or in Money must be provided for the amount of the Debt cancelled,—as the Principal

must be paid instead of the Interest,—the desired relief would not be the avoidance of a pecuniary sacrifice, but the riddance of the obnoxious and injurious proceedings and effects of so much Taxation as the payment of the Interest requires and as the cancellation of the Principal would remove. Under a redeemable Income Tax not only the Cost of the discharge of the Debt would be justly and equally exacted, but the desired relief from the procedure of constant Taxation might in each case commence immediately that the Owner of Property entered into a Contract, whether to be fulfilled at once or in a term of years—the relief principally sought for would be attained as soon as the bargain had been made and in many cases long before the full price of it had been paid.

With respect to the objection made by the Reviewer to the proposition that the Stockholders shall take back their Capital at the Market Price, it may be answered that the Market Price implies a price at which Vendors voluntarily part with their Stock, and at which as much Stock can be provided, without any compulsion, as may be desired—if the demand of Stock by the State for the purpose of discharging or cancelling it should increase the demand beyond the ordinary amount of demand, and the Market Price should rise, it would rise to whatever price the Vendors might be willing to part with their Capital, and at that price, if not exceeding £100, the Stock could be bought by the State without compulsion and without injustice; if there were none to sell but those who must be forced to sell, the price would be at the command of those compelled Vendors up to the maximum limit of £100—if forced to sell at £100 it would not violate existing engagements with the Public Creditors, and would be neither illegal nor unjust. It is not understood how there could be a *compulsory* sale or purchase of Stock at any price under £100.

*On the Justice of a general Income Tax, subject to Redemption in respect of Real Property, as regards the Owners of Real Property and the other Classes of Society relatively to each other.*

It has been objected to a discharge of the Debt on the plan advocated by Mr. Heathfield of a levy on Property and Capital, that as that Debt was incurred for defraying the expence of those

**National Measures by which Income derived from Professions and from Skill or Labor was protected, as well as Income derived from Property and Capital, the burthen of discharging the Debt should extend in some proportion to the former description of Income.** By a Tax, though redeemable in respect of Real Property only, yet extending, as an annual Tax, to all Incomes, the general burthen may be thrown on Professional, Trade and other Incomes derived wholly or principally from Labor and Industry, so far as it justly should fall on them. With respect to Income from Funded Property, the immediate extinction of so much of the Principal Stock as would be proportionate to the Tax on the Interest of it, would be as a condition for immediate exoneration from the Tax of the remaining Stock. The remaining Stock or part of it would however be subject to be paid off gradually by the Consideration received from the Owners of Real Property for their exoneration in respect of that Property. During the period allowed to Real Property for exonerating itself from the Tax, Income derived from Trade, &c. would remain chargeable; the price of exoneration to any Real Property would be a certain number of years purchase of the Tax charged on the Income derived from that Property, and the period occupied in completing the exoneration of all Properties might eventually be equal to that number of years; that or any other number of years might be the time expressly allowed and fixed within which all Proprietors should be bound to exonerate their Properties; then, by a continuance of the Tax on Incomes from Trade, &c. during that term, but not beyond it, it may be considered, on a comparison of the different natures of the two sources of Income, that the burthen would be as proportionably divided as justice and expediency demanded. This desired result may be shewn as necessarily following from the plan laid down. If every person possessed of Real Property were to effect the Redemption of the Tax by the surrender at once of a part of it or by a single Payment in Money, then it would be impossible for reasons already stated, that all persons could redeem at the same time—they must redeem successively, and a number of years would be occupied in completing the exoneration of the whole; so, whether every Owner of Property redeemed



the Tax at once by surrender of Property, or by a single payment in Money, or gradually by instalments, a certain term would be absolutely necessary during which persons in Trade, &c. paying the Tax not redeemable might continue subject to it; but that term might, as just observed, be fixed so that the period of cessation of the Tax might be looked forward to with certainty. Persons possessed of Real Property and exonerating it from Taxation by Redemption would yield up a part of their Income in perpetuity which would be equal to the Tax on their whole Property; those who completed the exoneration at once would surrender a proportionate part of their Property or pay a proportionate price in Money, either of which would be equal to the value of such a perpetual Income: those who deferred the redemption of the Tax or the entire completion of a Contract for it, and preserved the Income or Purchase Money wholly or in part for an allowed longer time, would, as they justly should do, during the interval, pay the proportionate Sum of Tax, or Interest, due in respect of the part of the Income or Purchase Money so preserved, in addition to the full stipulated cost of redemption which they must ultimately pay. In respect of Income derived from Property, the Tax would be as a perpetual Tax,—like the present Land Tax it would be enacted to be “perpetual, subject to Redemption and Purchase;” in respect of other Income it would be a temporary Tax, to co-operate as an auxiliary to Property during the time that Property was raising the means for exonerating itself from the Tax, to which time a fixed limit would be declared. A fair principle would govern the distinction thus made between the two descriptions of Income. A man possessed of fixed Property has an Income for a permanency—his Contribution would be of the same nature; a person depending on his skill and labor or on perishable Capital, possesses no certain means beyond the present time, and he would contribute annually as his Income accrued—if his Income lasted the whole fixed term, the number of years during which he would pay the Tax might be equal to the number of years purchase for which the Tax could be redeemed by the Owner of Property at once by a single payment, and there might, between the aggregate amounts paid by them respectively, be no other difference than such as would be occasioned by any difference in

the Rates of Charge to the Tax which it might be deemed just and fair to make between Incomes derived from Property and Incomes derived from other sources.

*General Observations on the Superiority of a redeemable Income or Property Tax as the means of reducing the National Debt, and on the urgent Necessity of resorting to it.*

By the Modification in the Plan of assessing Property and Capital of all descriptions which Mr. Heathfield proposes, in allowing a certain period of time for raising the Assessment and in charging annual Interest until the Assessment has been fully raised, it would virtually, in a great degree, be a compulsorily redeemed Property Tax; but it should rather be considered as inverse to a redeemable Property Tax upon the Plan proposed in this Work; the former is an Assessment on Capital with an annual Tax on the Income of it, to be paid until the Assessment on the Capital be discharged;—the latter is an annual Tax on the Income of Capital, to be paid until it be wholly discharged by Capital: on a comparison of the two Plans in detail, it is conceived that the one which makes Income the basis of operation, and which extends to Incomes of all descriptions, would be not only most equal and comprehensive in effect, but most free from practical difficulties. The more free from real objection one Plan of discharging or reducing the Public Debt may be found in comparison with others, the more easily practicable it is likely to be—it is, then, on the very essential head of Practicability that a general Income Tax made redeemable in respect of Real Property, appears decidedly superior to any other Scheme of discharging the National Debt.

It may however be surmised, that no Scheme, however excellent, for redeeming the National Debt can be proposed without exciting objections to it; but imaginary dangers rather than the certainty of real evils may create them. If the truth were that no Plan of discharging the National Debt could be executed or attempted without incurring evils greater than, or as great as, those which the existence of it entails on the People, and all were sensible of that

truth, then it would be folly and absurdity to contemplate or to wish for the riddance of it; but in truth, “an important objection to a large National Debt is the feeling which prevails so very generally among all those not immediately concerned in it, and consequently among the great mass of the population, that they would be immediately and greatly relieved by its extinction; and whether this impression be well founded or not, it cannot exist without rendering the Revenue in some degree insecure and exposing a Country to the risk of a great convulsion of Property.”\*—“A Country which has involved itself in the difficulties attending this artificial system (a large Debt) would act wisely by ransoming itself from them at the sacrifice of any portion of its Property which might be necessary to redeem its Debt. That which is wise in an individual, is wise also in a Nation. A man who has £10,000, paying him an Income of £500, out of which he has to pay £100 per annum towards the Interest of the Debt, is really worth only £8,000, and would be equally rich whether he continued to pay £100 per annum, or at once, and for only once, sacrifice £2,000; but where, it is asked, would be the Purchaser of the Property which he must sell to obtain this £2,000? The answer is plain; the National Creditor, who is to receive this £2,000, will want an investment for his Money, and will be disposed either to lend it to the Landholder or Manufacturer, or to purchase from them a part of the Property of which they have to dispose. To such a payment the Stockholders themselves would largely contribute. This Scheme has been often recommended, but we have, I fear, neither wisdom enough nor virtue enough to adopt it. It must however be admitted, that during Peace our unceasing efforts should be directed towards paying off that part of the Debt which has been contracted during the War; and that no temptation of relief, no desire of *escape* from present and I hope temporary distresses, should induce us to relax in our attention to that great object.”†—“When National Debts have once been accumulated to a certain degree, there is scarce I believe a single

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\* Malthus.

† Ricardo.

“ instance of their having been completely and fairly paid. The  
 “ liberation of the Public Revenue, if it has ever been brought  
 “ about at all, has always been brought about by a bankruptcy,  
 “ sometimes by an avowed one, but always by a real one, though  
 “ frequently by a pretended payment.”\*—“ Without offering at  
 “ present any opinion on the comparative advantages of defraying  
 “ the charges of War, by the immediate imposition of Taxes, to  
 “ the amount of those charges, or by raising the required supplies  
 “ by Loans, the Committee consider that, if a nation has been in-  
 “ duced, for the sake of greater present facilities and safety, to  
 “ provide for such exigencies by a system of borrowing, whereby  
 “ a permanent annual charge has been created, that nation is  
 “ bound, on the return of Peace, to make every effort, consistent  
 “ with a due regard to the other burthens upon the people, for the  
 “ reduction of that charge. A course of policy founded upon  
 “ the avowed principle of raising Loans for the exigencies of the  
 “ State in time of War, and of making no provision for diminish-  
 “ ing the permanent charge of those Loans in time of Peace, ap-  
 “ pear an abandonment of all consideration for the credit and  
 “ safety of the Country, in the eventual occurrence of future dif-  
 “ ficulties and dangers. If the accumulated Debt of each period  
 “ of extraordinary exertion is to be handed down undiminished as  
 “ a load upon those who are hereafter to meet the exigencies of  
 “ other struggles and other difficulties, it is too obvious to require  
 “ an argument, that the time cannot be very distant (according to  
 “ the ordinary vicissitudes of Peace and War in the history of  
 “ human affairs) when the combined weight of the past and pre-  
 “ sent burthens must become too great for the most prosperous  
 “ people to support, and the fabric of public credit must crumble  
 “ under the accumulated pressure.”†

Until Taxation be placed upon a proper system, the popular  
 outcry for the reduction of the amount of it will ever continue, and  
 it may be dangerous much longer to disregard the cause; in some  
 quarter or other the partial and oppressive effects of the present  
 system are sure to be felt, it will, with certainty, fall somewhere

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\* Dr. A. Smith

† Fourth Report from Select Committee on Public Income and Expenditure, 1828.

beyond the means of endurance, and then the desire to throw off the unequal pressure will be vociferated, those who thus loudly but justly complain are supported by others who, from different motives, join in the outcry, and the two Classes of the Community, the Creditors and Debtors, are thereby kept in an eternal conflict of opposite interests and feelings; there is also sure to be a lamentable aggravation of this evil, which is, that distress and pressure, proceeding in part from other causes than taxation though greatly increased by the injurious process of it, will be imputed to it wholly or in a greater degree than it should be. If Retrenchment in the incidental expences of the State has been carried to its utmost, or so far as not to render practicable any further material saving—if there be scarcely any Surplus Revenue, then the reiterated demand for reduction of taxation to a large amount (and the specific demand now most generally made is for the repeal of the Assessed Taxes, £4 millions, while there is not £1 million of Surplus Revenue), cannot possibly be yielded to without committing a direct spoliation of the Public Creditors, or, without adopting such a change in the *mode* of Taxation, as will demonstrate (after the vast reduction in the *amount* of taxation since the War, without adequate benefit therefrom to the Country) that the evil of taxation has ever laid more in the mode of raising it than in the amount of it, such a change as will, by honest means, prevent the necessity of resorting to those improper expedients by which other Debts have been got rid of. To avoid, then, the danger of such a fate falling on the present National Debt as it appears other Public Debts have undergone, is it not imperatively necessary, if a plan of discharge or reduction of it, which is just and honorable, can be devised, to disregard difficulties in the progress and execution of it, which may be trifling when compared with the important and certain advantages of the result? No plan whatever could be devised which would be free from objections or difficulties; but as some plans may be less difficult or less objectionable than others, is it not also necessary to determine on the choice and to proceed at once and resolutely on the plan chosen? presuming on the affirmative to that question, it is reiterated with confidence that the plan of a Tax on the Income of Real Property subject to Redemption, with an extension of the Tax to all other Incomes during the period of that Re-

deimption, is most worthy of that choice. Supposing however that the danger alluded to need not be apprehended, yet, if notwithstanding all which might be adduced in justification or in palliation of the proceedings and effects of Taxation on any plan, though the most unobjectionable and innoxious which could be devised and put into execution, though it were an Income Tax raised on the most perfect plan, it would be impossible to prove, or if demonstrable, to create a general conviction and feeling, that Taxation would not continue to be a great national evil, must not the conclusion be that the riddance of Taxation, so far as it is practicable, is expedient, and that the greater the evil, real or imaginary, the more expedient it is to adopt fair and effectual means for that purpose? Presuming so far, that Taxation should not be and generally is not regarded and felt as an evil, simply as a pecuniary obligation, in taking a sum from the possession of one to be rendered to another, if that sum be not, with respect to either, greater than perfect justice and absolute necessity require; and that so far as Taxation is an evil, it arises from the intrinsic and irremediable defects of the mode of Taxation in taking more from the one than it transfers to the other, and from other obnoxious and injurious effects thereof (such as are adverted to in the first part of this Work as imputable, in a greater degree, to indirect than to other Taxation), would it not follow, if relief from those consequences of Taxation were provided by means such as an Income or Property Tax, with the power of redeeming it, offers, yielding at the same time a full pecuniary equivalence for the pecuniary cost of it, that with respect to all those who did not avail themselves of the proffered means, either that they did not regard or feel those consequences, or that they could not with justice and reason any longer complain of them?

*Equitable means of getting rid of the present Land Tax unredeemed, in case of a redeemable Income or Property Tax.*

As it might be presumed that, whatever other Taxes were repealed on the substitution of an Income or Property Tax, that part of the present Land Tax which is unredeemed should be retained in justice to those who had exonerated their Estates from Land Tax,

it may be suggested, if the Income or Property Tax were subjected to redemption, as Real Property would form the sole object of it, and it would then be extremely desirable to free such Property from other public burthens as much as possible, that the whole of the Land Tax unredeemed might be repealed, and that in that case due compensation might be made to the Properties previously redeemed from that Tax by allowing the Consideration paid for it to be taken in discharge, *pro tanto*, of the Consideration payable for the redemption of the Income or Property Tax on those particular Properties; £720,000 Land Tax, that is about two-fifths of the redeemable part of it, has been redeemed, for which about £26 millions of Consideration in Principal Stock has been transferred to the Commissioners for the reduction of the Debt, and so much of the Debt cancelled; either the present value of the amount of Stock then transferred or the amount in Money actually paid for that Stock, (exclusive or not, of the Excess of one-tenth before mentioned) might be deducted from the Consideration payable for the Redemption of Income Tax on those Properties, the Land Tax on which had been redeemed. The total deduction would be small, compared with the very large amount of Consideration required to redeem all Real Property from the Income Tax. The Land Tax unredeemed might then be repealed with perfect justice to those whose Land Tax had been redeemed.

Or—In case of adopting an Income or Property Tax, and of an intention to subject it to Redemption and Purchase, it might be expedient before the latter part of the measure were commenced upon, to get rid of the remaining unexonerated Land Tax by subjecting it to some such compulsory means of Redemption as are herein proposed for a redeemable Income or Property Tax. The Sale and Redemption of the Land Tax has for many years proceeded very slowly; it would probably make more progress if greater facility were, as it could be, given to the proceedings, as well to those enabling owners of Property to redeem, as to those authorizing Strangers to purchase; by the latter a great part of the Sum remaining unsold would be converted into Charges for the benefit of the Purchasers, which being considered as Fee-farm Rents would also entitle them to Votes at Elections; the

Owners of Estates, if averse to such Charges, might, for the sake of preventing them, be the more induced to redeem ; or it might be immaterial to them whether they paid Land Tax to the State, or Rent Charges to private Individuals.—From the vast increase of Buildings, and the great improvement and addition of Lands cultivated, the charge of Land Tax on each Individual has become in many places so trifling, that it might not be at all hard on those of ability to pay the small consideration which would be payable for the Redemption, to raise it at once, or by Instalments within a short period, making additional Assessments for the purpose in the same manner as for the annual levy of the Land Tax itself, instead of contracting with the Parties ; or power might be given for the purchase out of the Poor Rates of some of the very trifling Assessments, after which they would be collected with and as a part of those Rates.\* The annual expence and trouble of charging and collecting the very numerous small Assessments of Land Tax under the present plan, which are supposed to constitute by far the greatest portion of the whole number of Assessments, are disproportionately great, and it appears on that account also to be very desirable to dispose of them.

On the score of Inequality, there is not any Tax existing of which it is so desirable to get rid as the present Land Tax, for the Rates of Charge in the numerous Townships, Parishes, Hamlets, and Places, vary in so many degrees, that they may be supposed to consist of every possible fraction from one-eighth of a penny to 1s. and upwards in the pound on the real or nominal Value of the unredeemed Properties situate within them : It should however be observed, that the Land Tax does not operate as a burthen on the Owners of Estates in cases where the Estates have been purchased, being a certain known charge on the Owner, the purchase money for the Property has been proportionably less.

If an Income or Property Tax be not adopted and if also the Assessed Taxes be wholly repealed, it would be still desirable to dispose of the unredeemed Land Tax in the manner now suggested,

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\* In some large Places the Land Tax is so small that it has been collected without distinction from, and paid out of the Poor Rates.



it being raised by the nearly same machinery as is used for assessing and collecting those Taxes, that machinery could then be altogether got rid of, and the system of direct taxation for the Public Revenue would wholly cease.

*Extension by an Income Tax of the Public Revenue beyond its present Amount, without any actual increase of burthen on the Country, for the purpose of reducing the National Debt or one-half of it.*

Comparing the present amount of the Revenue, (assuming it at £50 millions) on the supposition that it were raised wholly by an Income Tax, with the probable extent of the Income supplying it, considering the large proportion of the Revenue drawn directly from itself as so much Taxation abolished, and the remaining part of the Revenue as Income transferred from one portion of the community to another without diminishing the general amount, and assuming that this remaining part, or real amount of Taxation, does not exceed £37½ millions, that it is paid out of an aggregate real Income of £200 millions, created by the Agricultural, Manufacturing, and Trading Classes, that the whole directly or indirectly reverts to the payers in general to be re-formed into Income, it might (though only for the sake of conceiving what an Income is *capable of*;) become the subject of contemplation, if the Scheme of Redemption and Purchase as suggested under the preceding Head be not adopted, how far, by an Income Tax upon a well modified plan, the Revenue could be extended beyond its present amount for the purpose of raising a Surplus to reduce the National Debt, without subjecting the Country to a heavier exaction than the existing Taxes at their present amount directly and indirectly impose on it.

Suppose the amount of saving to the Tax Payers by the abolition of the present Taxes and the substitution of an Income Tax to be the utmost extent to which an Income Tax could be carried beyond the present amount of the Revenue.

The increase of prices of articles of use and consumption created by the present Taxes beyond the amount of the Taxes themselves has been variously estimated at from 30 to 50 per Cent. of that amount; the excess may perhaps be very safely taken at 35 per

Cent.\* The Gross Receipt of the Excise, Customs, &c.† consisting of those Taxes is nearly £40 millions, 35 per Cent. of which would be nearly £14 millions. The difference between the charges of management of an Income Tax and those of the present Taxes has been computed at about £2½ millions; these together would make an ultimate saving of £16 millions. If however the payment beyond the Taxes themselves is not to be regarded wholly as so much super-addition to Taxation, but partly as the interest and profit of Capital advanced for Taxation by the Producers of articles which additionally come to them from the Expenditure of the Consumers, and therefore that a great deal of what the general Community in one character loses, a large part of it in a different character gains, there is nevertheless to be taken into consideration the general benefit to be derived from the greater equality of Taxation and from the variation of its pressure according to the variation of power to sustain Taxation which a well regulated Income Tax would introduce: also the advantages of a removal or diminution of the restrictions on Capital, operations of Trade, &c. which the present Taxes impose: likewise the extension of its operation to Misers and Absentees whom the present Taxes do not adequately reach—also the great economy of its Collection.

It is likewise to be considered that not only a saving will arise in the Charges of Collection of the Revenue, but that the reduction of Prices will occasion a great saving in the incidental expences of Government, assumed in this Work at about £5 millions, also in the expenditure of many other Taxes or Rates of a public description, such as the Poor Rates, &c. which altogether amount to £15 or £16 millions per annum. The direct saving under these several heads of Expenditure may be taken probably at £5 millions; an estimate of all the advantages at a value of £10 millions appears therefore moderate.

Depending then on a realization of those various beneficial effects which are anticipated from a change in the system of Tax-

\* Vide Estimate in the Appendix.

† Some of the Stamp Duties are paid in advance by professional men and others, and their fees or charges may in justice be proportionably higher on that account.

ation, it may be sanguinely expected that a Revenue raised wholly by an Income Tax to the amount of £10 millions beyond the amount of the present Revenue, say to the extent of £60 millions, would not, in effect, be a greater exaction from the payers of it than £50 millions raised by the present Taxes.

To raise an Income Tax of £60 millions, the 7th and highest graduated Scale of Charge in Classes proposed in this Work might be resorted to, or, there might be adopted the Scheme\* of charging Life Income derived from Property, Trade, &c. at a general Rate not exceeding four-fifths of the general Rate of Charge on Income derived from absolute Property, and taking the average of the graduated Rates of Charge on Incomes below £150 at about two-fifths of the maximum Rate, the Scale then might appear as follows:

Description of Income.	Amount of Income. <i>Millions</i>	Rates of Charge. <i>General Rates</i>	Amount of Gross Revenue. <i>Millions</i>
Income derived from absolute Property .....	£65	45 per Cent.	£29½
Life and Trade Income .....	£75	36 per Cent.	£27
Lowest Classes of Income de- rived chiefly from Labor..	£18½	<i>Average Rate</i> 20 per Cent.	£3½
	£158½	38 per Cent.	£60

The nominal average charge of the Tax on the Income assumed as attainable for charge would be 38 per Cent.; but making allowance for the reduction of the price of Labor from the diminution of Wages arising from the abolition of other Taxes, virtually shifting a part of the Tax on that description of Income, the actual average would probably be less than 25 per Cent. of the whole real Income; or, making the computation in another way by adding the Income of the Public Creditors and Public Servants to the Income of the other Classes (assuming the former at £45 millions and the latter at £200 millions) making an aggregate of £245 millions; then supposing that one-fourth of

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\* Vide, page 240.

the Revenue of £60 millions would be contributed by the Public Creditors and Servants, the remaining three-fourths of £45 millions would be less than a charge of 25 per Cent. of the whole estimated Income of all the other Classes.

It may appear to some persons to be a monstrous proposition, that of imposing direct Taxation upon any Income at such rates as the foregoing Estimates present; but the proposition becomes reconcileable when it is considered that the existing taxation, if its amount be taken in the proportion of five-sixths of the whole proposed amount of Income Tax, presses on and deteriorates directly and indirectly the several sources and classes of Income to at least as enormous an extent. By the substitution proposed, the reduction of the Public Debt will be effected without any real addition to taxation, while such a reduction could not be effected under the present system of taxation without such an extraordinary addition to it, and without such an aggravation of all the concomitant evils of it, as it would indeed be monstrous to propose, although it may be recollected that even that extraordinary extent of taxation was endured for some time during the late War when a Sinking Fund, exceeding in nominal amount, the Fund now contemplated, formed a part of the system.

Pursuing however the Estimate—Suppose the surplus of the present Revenue beyond the amount necessary to pay the Interest to the Public Creditors and the Expenditure of Government to be on an annual average £3 millions, as being the desired amount of the Sinking Fund,\* (a sum to be considered less as the means of any material reduction of the National Debt than as a resource in case of any indispensable increase of the Expenditure of Government or a falling off of Revenue) £60 millions of *Gross* Revenue of Income Tax would, taking into account the difference in the amount of Charges of Management and Collection, give a *Net* Revenue exceeding by £12 millions a Gross Revenue of £50 millions raised by the present Taxes—this excess added to the average surplus of £3 millions, would create a Sinking Fund of £15 millions.\*

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\* Vide Fourth Report of Select Committee on Public Income and Expenditure, 1828. The actual annual amount of the Surplus Fund has varied very considerably. The Amount of the Revenue has been of late so reduced that at present the Surplus is much

An Annual Fund of £15 millions, accumulating at compound Interest at 4 per Cent. would cancel the Debt in rather more than 28 years; but the diversion of former accumulated Sinking Funds from the specific object for which they had been raised may wholly have destroyed the public confidence in them, and any Fund, if left to accumulate for the purpose of reducing the Debt, might, after great accumulation, be again applied to other purposes; it might also be less beneficial to defer any reduction to a distant period and then to reduce at once the whole or so very large a proportion of the Revenue as a Fund accumulated to a great extent would by that time render practicable, than to commence the reduction immediately and proceed upon it gradually; and although a gradual reduction commencing with the establishment of a new or the augmentation of the present Fund would require a longer time than an accumulating fund for accomplishing the complete extinction of the Debt,\* it would with greater certainty secure the application of the fund to its real object, and those at whose expence it might be formed would receive at once that proportion of relief which it would be designed regularly to afford; the benefit would not be prospective and uncertain, such as an accumulating Fund holds out, but each successive yearly Fund, or Surplus, would be certainly followed by a yearly proportionate diminution of Taxation.

A surplus Revenue of £15 millions in yearly redeeming rather more than that amount of Debt would, computing at 4 per Cent. diminish the Annual Charge by an amount somewhat exceeding £600,000; in each succeeding year a surplus Revenue of £15 millions would nevertheless remain, applicable to the same extent of reduction. It might occupy the period of nearly 25 years to effect a reduction of Taxation equal to the Sinking Fund of £15 millions, and nearly 50 years to reduce the whole of the present charge of the Debt.

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less than £3 millions. Taking the amount of the Revenue as now reduced, the Estimate above given of a substituted Income Tax, exceeding it by £10 millions, might be proportionably reduced in the Rates of Charge on all the Classes of Income.

\* An accumulating Sinking Fund, though while in operation it does not diminish the amount of Taxation, reduces the Debt gradually, as every Purchase of Stock made of a Public Creditor is a reduction of the Debt, though the Stock be transferred to the names of the Commissioners, and not immediately cancelled.

But as by this progressive course of reducing Taxation the gradually increasing relief would be felt by those who raised the means for it, so, by the other mode, many who had borne the full burthen would not survive to enjoy in any degree the relief which after nearly 30 years it would then all at once yield, creating a change among the several Classes of the Community of such a magnitude, as that the suddenness of it would detract materially from the anticipated benefit of it.

A comparison of the operations of the two Funds, one accumulating at Compound Interest, the other immediately applicable at Simple Interest to the gradual reduction of Taxation, would be as follows :

Number of Years.	Relief from Taxation.		Interest of Debt reduced by Accumulating Fund. <i>Millions</i>
	By Fund at Simple Interest. <i>Millions</i>	By Accumulating Fund.	
5 .....	£3	Nil	£3 $\frac{1}{10}$
10 .....	6	„	7 $\frac{1}{10}$
15 .....	9	„	12
20 .....	12	„	17 $\frac{9}{10}$
25 .....	15	„	25
28 .....	16 $\frac{1}{2}$	£30	30
35 .....	21	„	„
40 .....	24	„	„
50 .....	30	„	„

If the evil of the National Debt be balanced in some degree by advantages derived from it, and if the evil arise principally from the excessive magnitude of it—or if the resources of the Country be inadequate to the complete discharge of it by any mode of Taxation—then, upon either consideration, a partial reduction of the Debt, suppose to the extent of one-half of it, may be as much as can in the present state of things be contemplated: and if under all circumstances it be also deemed advisable to continue the existing system of Revenue to the amount of the present Expenditure of the State and Interest of the Debt, though not beyond it, then

an Income or Property Tax of £14 or £15\* millions, somewhat more than half the present total charge of the Debt, might be raised solely and specifically for the purpose of discharging gradually out of it, one half of the Principal of it, and the amount of Taxation annually reduced would be rather more than the amount of the Interest of the Principal annually liquidated. An Income Tax commencing at the maximum Rate of 10 per Cent. with abated Rates on low Incomes, would be adequate to this purpose, which would be completed by it in about 25 years, effecting during the interval the progressive reduction of other Taxes according to the computation last given. In order to avoid frequency of Proceedings arising from Yearly Returns and Assessments, instead of an annual reduction of the Tax to the amount of the liquidated charge of the Debt, the amount of the Assessments of the first year might remain for five years, giving power however to bring into charge in the intervening years new Incomes, or to increase charges on Incomes liable in the *first* year to greater charges than had been made on them in that year, and also to allow Abatements in certain cases of Incomes diminished within each year. At the end of five years the Tax might be reduced to a maximum Rate of 8 per Cent.

At the end of 10 years to . . . 6 per Cent.

Of 15 years to . . . 4 per Cent.

Of 20 years to . . . 2 per Cent.

By such periodical reductions of the Income Tax, maintaining the same Rates for five years, a larger amount of Tax would be gained than if the reductions were annual, but some loss would arise by allowing relief to Incomes diminished, and not authorizing increase of Duty on Incomes augmented during the intervening four years.

These provisions would not apply to Income under Schedules C. and E. the Duty on which being stopped therefrom at the places

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\* As the late Property Tax, which ultimately raised about the sum now contemplated, was imposed for defraying in part the extraordinary expences of the War, it was held by some that it should have been continued after the War to assist in defraying that increased annual expence which the War, from the additional Debt created by it, brought upon the Country.

of payment, would necessarily vary, as the Amount of each payment might vary; if the provisions were extended to these Schedules, frequency and trouble of proceedings would be created instead of avoided.

In the event of a War, the operation of the Sinking Fund or Surplus Revenue in reducing the Debt and Taxation might be wholly or partly suspended, the Revenue applied to it being in that case required for other purposes, but in that event there would be the advantage of possessing an adequate Revenue already prepared to meet such an exigency, on the termination of which the Surplus Fund would return fully to its original operation.

*On the great Advantage of an Income or Property Tax in case it be not advisable to attempt to reduce materially the National Debt.*

An Income or Property Tax may be proposed as equally expedient, whether it be advisable to attempt to reduce the National Debt, or not.—It is most expedient in case of the necessity of a reduction of the Debt, as affording the most effectual and fair means for accomplishing it, whether, as shewn under the preceding heads, by subjecting the Tax to Redemption and Purchase; or, by raising a Sinking Fund or Surplus Revenue of an adequate amount. It is most expedient, in case it be not advisable to attempt to reduce the Debt, as it will be a less impediment than any other mode of Taxation to such a degree of improvement and increase of the Resources and Income of the Country as may be indispensable to render the Debt a less injurious and a more tolerable burthen, being the only description and means of relief from or of assistance under the great weight of the Debt, which, in case of its decided perpetuity, there would remain any prospect of attaining.

The concluding observation with respect to an Income or Property Tax as the means of discharging or reducing the National Debt may be, that any substantial reasons which can be adduced against it can be such only as will lead to the presumption that Taxation, or the distribution of Income as made through Taxation, now that it has been very long established and the relative state of



society has been formed on it, is no longer an intolerable or very serious evil, whatever it may have been at its commencement or at periods of its increase ; that the great evil of Taxation is, at first, in the derangements which it then for a time occasions ; that the continuance of it is now less to be dreaded than the consequence of any attempt, by whatever means made, to reduce it wholly or materially ; or—that the reduction, in any great degree, of the National Debt and Taxation, and an alteration, by means however unobjectionable, of the long established mode of distributing so much of the National Income, will not diffuse a general benefit, but will introduce a worse state of circumstances than that which it will get rid of ; the same conclusion, to which other premises lead, is then again come to, that whatever degree of evil there be in Taxation is less to be obviated or mitigated by reducing the amount of it than by changing the system of raising it, that is, by adopting that more equal, more certain, and less injurious mode of transferring the exact amount of Income due from the Payers to the Receivers of it, which the direct Tax on Income most palpably presents.



## APPENDIX.

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### *Attempt to shew the extent of the Deficiency of the Returns and Assessments under the late Property Act.*

AN opinion of the amount of Income liable, or which should have been rendered liable to charge, beyond the amount brought into charge under the late Property Act may be founded partly on experience and observation of the too general inclination to evasion with respect to all Taxes, and its practicability with respect to some part of the Property Tax arising from the inadequacy of the provisions of the late Act wholly to prevent it, and partly on a knowledge of the insufficiency during the period of that Act, of the general Rate fixed for estimating the Profit of Occupation of Lands, forming one of the largest sources of Income subject to the Tax ; but such opinion may be more confidently founded on other means of information of the extent of the various descriptions of Property and Sources of Income in Great Britain, from which not only it will satisfactorily appear that there was a considerable deficiency in the amount of Income charged to the late Property Tax but a judgment may be formed of the extent of that deficiency.

#### *Schedule A.—Rents of Lands, &c.*

Under Schedule A. the deficiency may be principally attributed to defective returns of the Parties and defective estimates of the Parochial Officers, which it may be presumed were more or less so according as the rules of the Act for estimating the annual value and allowing deductions therefrom were understood and pursued.

As Produce from Land was progressively increasing in value during nearly the whole period of the Property Tax, the Rent at which Land was worth to be let must in many cases, soon after the commencement of Leases, have exceeded the Rent for which it was actually let, while the general rule of the late Act which declared that the annual value on which the Duty was to be charged should be understood to be the Rent, if fixed by agreement within 7 years preceding the year of Assessment, limited the charge to the actual Rent ; much of the annual value charged in the year 1814, the last year of charge,\* was therefore not the full yearly worth of Land at that period, but the lesser worth of it at an antecedent period, and the deficiency may partly be attributed to that cause.

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\* Vide Account of Particulars, p. 204, Second Part.

It is conceived also that in cases where there was a power to charge the annual value under Schedule A. beyond the Rent, leaving the occupier to pay for the excess, such power was not always exercised. If the lease or agreement had existed beyond 7 years, or if it had commenced within 7 years, and it did not express the full consideration for the demise, or the Rent *bond fide* paid for it : or if the Rent reserved was less than the Rack Rent on occasion of repairs or improvements to be done by the lessee, the annual value assessed was required to be the full sum at which the property was worth to be let, but it is apprehended that the Rent reserved was in many cases under these circumstances the amount on which the Assessment was made.

The rule and practice of resorting to the Poor Rates as a basis on which to estimate the annual value or Rents, have been already animadverted on;\* much deficiency doubtless arose therefrom. The natural inclination of those on whom the duty of making the Assessments, or the power of deciding on the amount of them devolved, to press lightly on those subject to them, may also in some instances have produced similar effects; where they occurred, relative justice may have been enforced so far as concerned individually all those coming within the same local jurisdiction; but as the degree of pressure where it was liable to such discretion varied in different Districts, the well-intended lenity gave rise in effect to various rates of charge, taking Districts and Places relatively to each other. A rigid adherence to the rules of the Act might have created less real hardship than a relaxed execution of them. Complaints were founded mostly on comparison; the mild practice in other Districts or Places was adverted to in appealing against the alleged severity shewn to the complainants.

The whole deficiency of Income under Schedule A. is assumed at rather less than one-seventh of the total amount liable or which might have been rendered liable to charge, that is, at nearly £10 millions, taking £6½ millions as the proportion of the deficiency of the Rent of Lands (charged in 1814 at £39½ millions) and £3½ millions for Rents of Houses, Tenements, Tithes and other Profits arising from the Soil to the Owners thereof, (charged in 1814 at £20½ millions.) The total amount charged in 1814 was rather more than £60½ millions, the amount assumed to have been liable to charge is £70 millions.

Having adverted to the principal causes of the deficiency, the following data are offered as some ground for the large amount assumed,

It appears by some returns made during the War that the total number of cultivated acres of Land in Great Britain was 35½ millions, and by other returns that it was 37½ millions. Taking the number of acres at 36 millions, the average amount of Rent per acre as assessed in 1814 (the total amount charged being £39½ millions) was nearly £1. 2s. 0d. Considering the very high price of

agricultural and grazing produce and the proportionably high rents received during the prosperous period of Agriculture referred to, it may be presumed that the average amount per acre of all Lands, arable, pasture, &c. was not less than £1. 5s. 0d.\* which would be more than sufficient to give the total estimate now taken, viz.

Millions.	Millions.	Total.
£39½	+ £6½	= £46 millions.

### *Tithes.*

The returns in respect of Tithes may be assured to have been defective.

It was estimated by one Writer† that the Receipts of Tithes in England and Wales were as follows, viz.

Tithes in the possession of the parochial Clergy .....	£2,031,000
The Impropriations from Tithes, of which ⅓ belonged to the superior Clergy and Universities and ⅔ to the Lay Impropriators ..	1,539,000
	<hr/>
Total.....	3,569,000
The total amount of Receipts by Owners of Tithes, lay and ecclesiastical, charged under Schedule A. of the Property Act 1814	2,732,898
	<hr/>
Deficiency in amount charged to the Property Tax on the Owners of Tithes .....	£836,102

As it appears by the Property Tax Accounts that  $\frac{2}{11}$  of the Tithes were leased or compounded for, and as it is apprehended that the compounders or lessees in general made the returns and were charged thereon for the Owners' Duty, having the authority to deduct the Duty from the Owners, and being also chargeable under Schedule B. on  $\frac{1}{4}$  of the amount returned by them, as Profits arising to themselves from their leases or compositions, it may be conceived that the deficiency was to the extent appearing from the foregoing Estimate.

The Landed Rental in England and Wales subject to Tithes was estimated by the above Writer at £28 millions or £35 millions, according as the Lands were valued at 20s. or 25s. per acre, and taking the lowest of these estimates £28 millions, and calculating the titheable gross annual produce as equal to 3½ rents only, or £98 millions ( $\frac{1}{10}$  of which is £9½ millions) the Clergy and Lay Impropriators in receiving only £3,569,000, obtained, as that Writer observes, not much more than one-third part of their legal right.

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\* " On the authority of the Board of Agriculture the average rent of *Arable Land* subject to Tithes in 24 Counties in England was stated in 1813 at 32s. per annum and upwards, and of *Arable Land* Tithe-free, at an average of 40s. per annum.

† Rev. Dr. Cove on the Revenues of the Church of England, 1816.

From the Property Tax Accounts it would appear that the Rents of Lands

	Millions.
Tithe-free amounted to .....	£14 $\frac{1}{2}$
Tithe-free in part or subject to Modus .....	1 $\frac{1}{2}$
Titheable .....	23 $\frac{3}{4}$
Total..	£39 $\frac{1}{2}$

Taking only the Rental, £39 $\frac{1}{2}$  millions, as charged to the Property Tax, the Land in England and Wales subject to Tithes in 1814 should be estimated at about £24 millions, although assuming the Annual Gross Rental of the Kingdom at that period to have been £46 millions, as herein estimated, the proportion subject to Tithes might be taken at Dr. Cove's lowest estimate, viz. £28 millions.

Suppose then

	Millions.
That the Landlords' Income from titheable Land was .....	£24
That the Occupiers' Income was $\frac{2}{3}$ only of the Rent .....	18
Total Landlords' and Tenants' Income .....	£42

Or suppose

That the Occupiers' actual Income was equal to the full Rental assessed	£24
Landlords' Income .....	24
Total amount..	£48

If the sum of £42 millions or £48 millions, as the full joint Income of the Landlords and Tenants, represented their net Profit of  $\frac{2}{3}$  of the Produce after all the expences of cultivation and other outgoings, then the question would be as to the net Profit of the Tithe Owners from the other  $\frac{1}{3}$  of the Produce, supposing that they took the Tithes in kind, or if they compounded for them, that they allowed no greater reduction than such an amount of expence as is incurred by the Tithe Owner taking his Tithes in kind.\*

If the Tithe Owners' rate of Profit should not be greater than that of the Landlords and Tenants, then  $\frac{1}{3}$  of £42 millions or £48 millions, that is £14 $\frac{1}{2}$  or £16 millions, would be their Income therefrom; but considering that the expence only of the Produce from the field to the market is incurred by the

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\* The accounts state the Profits of Tithes taken in kind assessed to the Property Tax to be £ $\frac{1}{2}$  million, but as they do not distinguish the amount of the Rent of the Land on which they were taken, they afford no assistance in forming a judgment of the full value of all the Tithes,

Tithe Owners taking them in kind, it is conceived that the rate of Profit should be greater. If the value of Tithes taken in kind be, as alleged,  $\frac{1}{3}$ , or as high as  $\frac{1}{2}$  of the Rent, the total Profit on all the Tithes, at those rates, on a Rental of £24 millions, would be £6 millions or £8 millions.

If the Produce of the Land were estimated at  $3\frac{1}{2}$  times the Rent, then the Tithes, if taken at  $\frac{1}{10}$  of the Produce, would be as follows :—

Millions. £	Millions. £	Millions. £	Millions. £
Rent 24	$\times 3\frac{1}{2}$	= 84 Produce, and	$84 \div 10 = 8\frac{2}{5}$ amount of Tithes,

and deducting from this amount the expenses incurred by the Tithe Owner, the net Profit would be reduced to somewhat less than £8 millions.

But, the total of Profits of Tithes were assessed to the Property Tax as follows :

	Millions.
Schedule A.—Owners' Profits from Tithes taken in kind.....	£ $\frac{1}{3}$
Ditto leased and compounded for* .....	2 $\frac{1}{2}$
Schedule B.—Lessees and Compounders' Profits.....	$\frac{1}{3}$
Total amount charged .....	£3 $\frac{1}{3}$

Comparing the *lowest* of the foregoing estimates of the value of the Tithes, viz. £4 $\frac{2}{3}$  millions, with the amount charged to the Property Tax on all parties, viz. £3 $\frac{1}{3}$  millions, it appears either that there was a deficiency of £1 $\frac{2}{3}$  millions in the total sum charged, or that the Owners received far short of the amount due to them.

#### *Rents of Houses, and Profits of other Properties.*

The total amount of Rents of Dwelling Houses and other Buildings may be presumed to have increased, within the period of the late Property Act, in proportion with Income from other Property, both from the addition to the number of Houses, and from the augmentation of Rents of Houses previously built;† as during a course of improvement the full value of any

\* The proportion leased is not distinguished from the proportion compounded for in the accounts of those years in which the Compounders were charged as well as the Lessees, but in an account of the year 1805, the last year of charging Lessees only, the amount of Tithes leased is stated at £ $\frac{1}{3}$  million.

† By the Population Returns in 1801 and 1811, it appears that the number of Houses in Great Britain increased at the average rate of 10 per Cent. in the interval. In Cities and large Towns in England the increase appears at the rate of 15 per Cent. The Rental of Houses assessed to the Property Tax in 1803 is not distinctly shewn in the accounts, but the amount in 1806 was £11 $\frac{2}{3}$  millions, and in 1814 it was £16 $\frac{1}{3}$  millions.

Property is more difficult to be attained for the purpose of a Tax thereon than when Property has been for a long time in a settled state, (and the rules of the Act did not allow of any increase of charge in case of long leases until they had exceeded seven years) and as it is well known that the Rents of Houses were raised at a very great rate during the War, it is concluded there was considerable deficiency in the amount brought into assessment.

Some deficiency may also be attributed to the Assessments on such properties as Mines, Quarries, Iron, Salt and other Works, Canals, Docks, Rights of Markets, Tolls, Bridges, and other concerns of a like nature, charged under Schedule A. according to the amount of Profits returned by the parties; the total amount of them actually brought into charge, including Fines on Demises of Land and Profits of Manors, amounted to £1½ millions.

The estimate of £3½ millions as the total deficiency in respect of Dwelling Houses and Buildings, Tithes, Mines, Quarries, and the other Properties enumerated, is presumed to be moderate.

#### Schedule B.—*Profits of Occupation of Lands.*

The deficiency under Schedule B. being taken, in the first place, in proportion to the deficiency in the individual Returns or parochial Estimates of Rent and Annual Value of Lands under Schedule A., and it being in the next place assumed that the real Profits of the Occupiers were, during the latter years of the Property Act, at least one Rent instead of  $\frac{1}{4}$  thereof only as rated by the Act, the whole estimated Income of the Occupiers of Land would be equal to the total assumed amount of the Rent or Annual Value of Lands under Schedule A., that is £46 millions, exclusive of the Profits from Tithes compounded for and leased, estimated as much exceeding the sum charged, £½ million, and which may be taken at least at £1 million,\* shewing a deficiency in the total amount charged under Schedule B (£27½ millions) exceeding  $\frac{2}{3}$  of the whole estimated amount.

One proof of the lowness of the rate of charge on Profit of Land was that but few complaints of the charges were preferred, and such as were received, were not made on the ground that the charges were excessive as compared with the actual Profits, but that they were so in comparison with the charges made in other parishes or districts.

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As parts of the foregoing Estimate of Deficiencies in respect of Lands may appear to be formed too much on opinion, it may be satisfactory to find them

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\* It must however be surmised, that when Tithes are compounded for at less than their real worth the Landlords receive proportionably higher Rents, or divide with the Tenants the saving by the Compositions.

confirmed by any good authority having relation to the same period, reference is therefore made to the Treatise published by Dr. Colquhoun in 1814 upon the Wealth of the British Empire, containing Estimates of the total Value of the whole Property in the United Kingdom and a Computation of the new Property or Income annually created. Dr. Colquhoun's Work was prepared from authentic Public Documents or the best authorities attainable at that period, and has been referred to with confidence in subsequent publications requiring information of the Property and Income of the Country.

Dr. Colquhoun in order to form his computation of the total amount of new Property or Income created annually from Agriculture, estimated the aggregate value of the total quantities of the several species of the Produce of Land by first calculating the quantities consumed; for this purpose he took the number of the population from the census of the year 1811 and the number of animals from other existing accounts, he multiplied these by the rate of annual consumption of each individual and each animal, which he assumed at moderate averages, he then multiplied the total quantities consumed by the prices of the several kinds of Produce respectively, which prices he took at the rates hereafter mentioned. The aggregate value arising therefrom was £217 millions; now, deducting from this result such a sum in respect of Ireland as was, according to Dr. Colquhoun's valuation, its proportion of the total value of the productive Property of the United Kingdom, that is, rather more than  $\frac{1}{3}$ , there would remain between £170 & £180 millions as the aggregate value of the new Property or Income of Great Britain derived from Agriculture; further deducting the Wages of Laborers employed in Agriculture, which Dr. Colquhoun estimated at £33 $\frac{1}{2}$  millions, and all other expences of cultivation and outgoings, the remainder would be amply sufficient to justify the foregoing estimate of the total amount of the Rent received by the Owners and of the Profit derived by the Occupiers of Lands in 1814, viz.

Sch. A.	Sch. B.	
Millions.	Millions.	Total.
£46	+ £46	= £92 millions.

Dr. Colquhoun's computations of the Value of the Products of Land were made at a time (September 1812) when the prices were exceedingly high, but he took the rates for his calculation before mentioned at *one-half* only of those prices, viz. Wheat 70s. 6d. per quarter.

Barley 37s. 6d. do.

Oats 29s. 0d. do.

Rye 43s. 10d. do.

Beans and Peas 38s. 10d. do.

The value of produce of Hay, Grass, Potatoes, Garden-stuff, and other Food derived from Land, was estimated by him from other data. It is to be observed, that one-half of the highest prices of the year 1812 gave much less



than the actual average price of Produce of Land during the latter period of the War, for instance, the price of Wheat was on the average nearly £5 per quarter in the 11 years ending 1815, therefore the Gross Value of the Produce and the Gross amount of new Property or Income as deduced from Dr. Colquhoun's mode of calculation appears less than the actual value of Produce and amount of new Property or Income at the time when he made it; and Dr. Colquhoun admits that his computations were prepared at low rates. Supposing however that the value of new Property or Produce from Land in Great Britain at the latter period of the War was between £170 and £180 millions, as just taken; then, assuming that the Rent or Annual Value of Land was one-fourth of that new Property or Produce, the amount would be nearly equal to the sum assumed (£46 millions). The actual Rent paid to the Owners may not in all cases have amounted to the annual value, that is, the sum at which Lands were worth to be let (and it is the annual value rather than the actual Rent which is now the proper object of estimate); the Profits of the Farmers having leases for long terms of years may have been so great as to have placed them in a great degree in the Character of Owners, as well as of Occupiers; it has been stated that the Landholders' actual share of the Produce of Lands did not, owing to the extraordinary rise in the price of it, and the length of leases, exceed, at one time during the War, one-fifth of it, the Profits of Tenants must then have proportionably exceeded their ordinary rate, but whatever may have been the respective amounts of Rents and Profits of Landlords and Tenants, it may be presumed that the total Income of both derived from Land at the latter end of the War, when taken at £92 millions is rather under than overrated.\*

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\* Dr. Adam Smith stated that the Rental of Lands in Great Britain was in 1774 estimated at £20 millions, though he considered it overrated at that sum; if the Rental in 1814 amounted to £46 millions, and if according to evidence adduced, the Rental in 1792, before the commencement of the War, (a) did not exceed one half of the Rental towards the close of the War, 1814, viz. £23 millions, the increase of the 18 preceding years, viz. from 1774 to 1792, was not more than £3 millions. Considering the extraordinary increase of Agricultural Produce during the late War, from the very great extension and improvement of cultivated Land, (for it has been stated that more waste Land was enclosed during that period than within a century preceding it, and that the improvements of old enclosures kept pace with the extension of new enclosures) also the large nominal advance of prices that took place in consequence of the alteration in the Currency, the great disproportion in the estimated increase of the two intervals respectively of 13 and 22 years (much of which is more nominal than real) may be satisfactorily accounted for.

(a) "The witnesses examined by the Corn Committee of the House of Lords and House of Commons in 1813 and 1814, agree in stating that the Rent or value of Land had been doubled within the preceding 20 or 25 years." The rental of Land as assessed to the Property Tax in 1893 was £24½ millions.

*Schedule C.—Funded Property and Interest of Public Securities.*

From the effectual mode adopted of securing the Duty under Schedule C. it does not appear there could have been any deficiency in the amount of Income charged under that Schedule.

Stopping the Duty from the Dividends was the only mode of securing the full sum due. It will be seen by the accounts that in the early years of the Property Tax, 1803, 1804, and 1805, when the Duty was not stopped and the amount obtained depended in a great degree on the Returns of the parties, there was a very considerable deficiency in the amount returned; and although, as copies of the books of the Bank of England, &c. were in possession of the Tax Office as required by the Acts, much Duty must have been recovered by its proceedings, yet the loss of Duty may be estimated at one-fourth or one-fifth of the total amount due, shewing to what extent evasion was effected where practicable.\*

*Schedule D.—Profits of Trade, &c.*

The amount of deficiency of the Income rendered liable to charge under Schedule D. is assumed to have been much greater than the amount of deficiency of the Income rendered liable under the other Schedules. Reverting to reasons already offered for this assumption,† considering the extraordinary augmentation and improvement of almost every branch of Manufacture and Commerce and the great prosperity of Trades, Professions, &c. in general during the War, notwithstanding occasional depressions in some branches; comparing the amount of Income returned from the whole of those sources with the amounts returned of Income derived from Lands, the very trifling increase of the amount of the Profits from Trade, &c. obtained for charge during a period of several years with the large actual increase of Profits which it is conceived must have taken place in a great degree with Agricultural Income;‡ adverting also to the general opi-

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\* Half-yearly Dividends less than 20s. were not liable to deduction under Schedule C. at the place of payment; they were rendered chargeable under Schedule D. and the parties were required to make returns of them and pay the Duty to the Collectors, but it is not conceived that attention was paid to that requisition in many cases.

† Second Part, page 192.

Profits charged.	Assumed Profits.
1803.	1814.

Millions.	Millions.	Millions.
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† Sch. A. & B. Land	£41½	..	£67½	..	£92 being 2½ of the amount charged in 1803
„ D. Trade, &c.	34½	..	37½	..	50 „ 1½ ditto ditto

3 B

nion that Agriculture and Trade act on each other, that as one prospers or declines the other proportionably varies, considering the difficulties of ascertaining the Profits of Trade, &c. and that the amount attained for charge depended almost wholly on the returns of the parties themselves, it is assumed that the deficiency in the Returns of Income under Schedule D. amounted to one-fourth of the actual Net Profits liable to Duty. The total amount charged in the year 1814 was £37½ millions, and it is assumed that the actual aggregate amount was at least £50 millions.

The following Table shews the progressive Increase of each species of Income as charged to the late Income and Property Taxes respectively in alternate years from 1801 to 1814.

It will be perceived, that the increase of Income charged under Schedule D. of the Property Act in 1814 scarcely exceeded  $\frac{1}{2}$  of the whole amount of that Schedule in 1803, but that the total increase under Schedules A. and B. from Lands and Houses was nearly  $\frac{2}{3}$  of their total amount in 1803. The produce of the Income Tax did not increase after the first year of it (1799), and though it was a 10 per Cent. Tax, and the Property Tax was at the commencement of it a 5 per Cent. Tax, the produce of the latter in 1803 amounted to within £1¼ million of the produce of the former in 1801, a result attributable principally to the superior efficiency of the plan of the Property Act.

\* It should be observed that numerous returns of small Profits were delivered which stated that they were "under £50" but did not specify the amount, and many persons obviously in low circumstances were not required to make returns.—If the amounts of the former were added in order to give the full amount of the Incomes returned under Schedule D. the total amount would probably be £40 millions, and the deficiency would not exceed one-fifth of the aggregate amount of Profits required to be accounted for.

Great deficiency is supposed to have taken place in respect of Interest from Securities and Profits of Possessions in Colonies and Territories abroad, realized there and remitted to this Country, which were liable to the full rate of Duty without abatement on small Incomes as in respect of other Profits chargeable under Schedule D. It was hardly possible to secure such a proof of the receipt of those pecuniary remittances as would fix the parties with the due charge. It appears from the accounts that the total amount assessed was less than £1 million.

Income Act.			Property Act.							
Amount charged in 1801.			Amount of Income charged.							
Millions.			1803.	1805.	1806.	1808.	1810.	1812.	1814.	
Not distin- guished under Schedules.			Sch. A.	Sch. A.	Sch. A.	Sch. A.	Sch. A.	Sch. A.	Sch. A.	
			Millions.	Millions.	Millions.	Millions.	Millions.	Millions.	Millions.	
			£38½	£41½	£45	£48	£52	£57	£60½	
			B.	17½	19½	20½	22½	23½	26½	27½
			C.	14½	17½	22½	24	24½	26½	30
			E.	6½	6½	7½	9½	10½	11½	14½
Exclusive } £65½										
of Trade } .. 15										
Trade + .. 15										
Total £80½			£111½	£120	£129½	£137½	£145½	£155½	£170	
Rates } £10										
per Cent. }			£5	£6½	£10	£10	£10	£10	£10	
Net Pro- } Millions.			Millions.	Millions.	Millions.	Millions.	Millions.	Millions.	Millions.	
duce of } £5½			£4½	£6½	£11½	£11½	£12½	£13½	£14½	
Duty } .. 10										

In giving the Increase of Income according to the Returns of it under the Property Act, the depreciation of the Currency during the period coeval with it should perhaps be adverted to: much of the Increase of Income may be considered more nominal than real; it has been computed that in 20 years the depreciation was so great that £100 of the year 1794 was equivalent to £160 of 1814. Whatever the rate of depreciation may have been, as it applied equally to all descriptions of Income it would not vary the comparison of them

\* It is conceived that many Returns made to the Income Tax, 1801, by persons in Trade, having Incomes also from other sources, did not distinguish in them the amount obtained from Trade, and that therefore some part of the charged Profits of Trade is included in the amount of other Incomes. The different mode of charge to the Property Tax necessarily enforced the distinction.

† The sudden increase of Profits charged under Schedule D. in the year, 1814, does not appear to have arisen from any extraordinary increase of Trade, &c. at or immediately previous to that particular period; it was probably occasioned by the proceedings then adopted by Government to raise the Assessments under Schedule D. from their extreme state of deficiency, viz. a reference to the Customs and Excise entries of the quantities of the different articles of Manufacture, Trade, and Commerce, in cases in which such information appeared necessary as a means of assistance to ascertain the amount of Profits. If the Act had been continued, the Duty under this Schedule might by these means have been raised much nearer to its proper amount.

now given. The circumstance may however be adduced as corroborating the opinion of the great extent of deficiency in the Returns of Income under Schedule D. &c. for instead of any real increase of Profits from Trade and Professions, it would appear, from the Returns under the Property Act taken with the altered value of Money, that there had been a progressive decrease of them from the year 1803 to the year 1814, and that Trade and Professions had been declining while other sources of Income had been improving. It may also be assumed that in 1803, the first year of the Property Act, the sums returned under Schedule D. were not the full amount of the actual Profits; and when it appears that at the end of the 11 succeeding years, a period on the whole of great prosperity in Trade and Manufactures in general, there was so inconsiderable an increase, a deficiency to the extent herein assumed may be reasonably inferred.

The following is a compare of the number of Families in the Summary of the Population Returns of 1811 with the sums of Income charged to the late Property Tax and the sums assumed to have been the actual amount of Income in respect of Agriculture and Trade, &c. respectively.

	Proportions of Numbers in the Population Summary.	Proportions of Income charged to the late Property Tax	Proportions of the assumed Income.
Agriculture .....	89	67½ *	92½
	to	to	to
Trade, &c. ....	112	37½	50

A part of the Income under Schedule D. of the late Property Act consisted of the Profits of Professions and of those of Employments or Vocations not assessed under Schedule E., also of Interest of Foreign Securities and of Remittances from Foreign Possessions and from Ireland, and casual Profits not falling under other Schedules, most of which appertained to Families not included, it is conceived, in the class, in the Population Returns, of Families employed in Trade and Manufacture. The total amount of all such other Profits, Interest, and Remittances is not shewn by the accounts, but assuming it to have been one-fifth of the whole amount charged under Schedule D. the

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	As Charged.	As Assumed.
* Schedule A. ....	£39½	£46
„ B. ....	£27½	£46
Total ..	£67½	£92

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deduction of it would reduce the amount of Income assessed in respect of Trade, Manufacture, and Commerce very nearly to £30 millions, and at the same rate of deduction the assumed real amount chargeable in respect thereof would be reducible to £40 millions.

*Schedule E.—Profits of Public Offices.*

The regulations prescribed by Schedule E. of the Act for charging and stopping or collecting the Duty from the Salaries, Pay, &c. of Offices and Appointments under Government precluded almost in every case the means of evasion. In a few cases of persons receiving Fees (not carried to a general fund) the full amount of which may have been known only to themselves, some deficiency in the returns of them may have occurred. Income derived from Public Employments of other descriptions was not fully subjected to the same regulations, and it is apprehended there was some deficiency in the returns of such Income, a part may however be supposed to have been erroneously included in the amount of the Professional Profits returned by some of the parties under Schedule D., and the Salaries of some Officers under Corporations and Public Companies, being payable out of the Rents of Lands, were subject to deduction of the Duty under Schedule A., and were not distinctly charged under Schedule E.

Partly to these causes and partly to the much greater augmentation, in consequence of the War, in the number of the Government Offices and Appointments, than in the number of other Offices of a public nature may be attributed the much greater increase in the amount of the Official Incomes of the former assessed under Schedule E. of the late Tax within the period of its duration, as may be more particularly seen by the following Account of the Total Amount of Incomes exceeding £50 charged thereto, in the years 1803 and 1814 respectively, distinguished in Departments.

Though the War and also the Property Tax were renewed in the year 1815, it is conceived that the total amount of the chargeable Incomes was about the same as in the year 1814. The Accounts do not furnish the amount charged for 1815.

Appointments under Government.	Amount of charged Income, exceeding £50.*	
	1803.	1814.
Offices of the Royal Household, including the Civil List, Judges, Pensions, &c. ....	795,800	1,310,400
Principal Offices of State, including Treasury ....	273,900	541,800
Officers of Revenue, and Departments belonging thereto .....	1,269,500	2,368,800
Officers of the Army, and Civil Departments belonging thereto .....	1,805,700	5,405,400
Officers of the Navy, and Civil Departments belonging thereto .....	831,600	2,658,600
Courts of Justice, and Departments belonging thereto .....	234,700	315,000
Total ..	£5,211,200	12,600,000
Other Offices of a Public nature not under Government, viz. Clerks of the Peace, Clerks of Magistrates, Coroners, Under Sheriffs, Clerks to Commissioners & Collectors of Taxes, Vestry Clerks, Officers under Public Corporations, &c. &c. ....	988,800	1,600,000
Total ..	£6,200,000	14,200,000

*Estimate of Total Income and of Total Deficiency of Amount charged under all the Schedules.*

Schedules	Total Amount charged.	Deficiency.	Total Income.
	Millions.		Millions.
A .....	£60½	£9½	£70
B .....	27½	19½	47†
C .....	30	—	30
D .....	37½	12½	50
E .....	14½	½	15
Total ..	£170	£42	£212

\* The Pay of the Soldiers, Sailors, and others, of less than £50 per annum, are not included.

† Including £1 million as the amount of Profits assumed to have been derived from Compositions and Leases of Tithes.

The total Deficiency amounted to nearly one-fifth of the total estimated Amount of actual Income, but it should be observed that a great part of it, though received by persons possessing Incomes of an amount chargeable in other cases, was not rendered liable to charge.

The charge to the Tax under Schedule B. was on three-fourths of the Rent, but the assumed actual Profit is an amount equal to the full Rent; thence arises nearly two-thirds of the estimated deficiency under this Schedule.

The following is a compare of the average Rates per Cent. of Net Duty on the Income so far as it was accounted for, and on the assumed actual Income under each Schedule in the year 1814.

	Total Income charged.	Total assumed Income.	Net Duty remain- ing after Abate- ments on small Incomes.	Average Rate per Cent. of Net Duty on Income charged,	Average Rate per Cent. of Net Duty on assumed Income.
	<i>Millions.</i>	<i>Millions.</i>	<i>Millions.</i>		
Sch. A.	£60 $\frac{1}{4}$	£70	£5 $\frac{9}{10}$	9 $\frac{1}{4}$	8 $\frac{3}{10}$
„ B.	27 $\frac{3}{4}$	47	2 $\frac{1}{2}$	7 $\frac{1}{2}$	4 $\frac{3}{4}$
„ C.	30	30	3	10	10
„ D.	37 $\frac{1}{2}$	50	3 $\frac{1}{10}$	8 $\frac{1}{2}$	6 $\frac{1}{2}$
„ E.	14 $\frac{1}{2}$	15	1 $\frac{1}{2}$	8 $\frac{3}{4}$	8
	£170	£212	£15 $\frac{3}{4}$	9 $\frac{1}{17}$	7 $\frac{1}{4}$
<i>General Averages.</i>					

If the Profits of the Occupiers of Land did not exceed three-fourths of their Rents, and the deficiency under Schedule B. in that case arose only from deficient Returns or Estimates of Rents, the deficiency would not much exceed £7 millions, the assumable Income should then be taken at less than £35 millions and the average rate per Cent. of Net Duty at 6 $\frac{1}{4}$ . The total assumed chargeable Income would then be about £200 millions, the total deficiency would be about £30 millions, and would not much exceed one-seventh of the total chargeable Income

The total Income brought into assessment (£170 millions) produced, after all deductions, the sum of £14 $\frac{1}{2}$  millions Net produce applicable to the Public Service. If the whole estimated Income of £212 millions had been brought into assessment, subject to the like deductions, it would have produced about £18 millions.

The late Property Tax operated on the several descriptions of Income, as far as they were attained for charge in the ratios given in the column of which 9 $\frac{1}{17}$  is the general average, which shews the comparative effects of the Graduated Scale of Charge of the limited extent adopted for that Tax. If the actual



Incomes were the Amounts given in the Estimate, the real operation was in the ratios expressed in the column of which  $7\frac{1}{4}$  is the general average. It may be conceived that the inequalities of the late Property Tax were greater, taking the Schedules in their respective aggregates relatively to each other than taking individual Incomes under the same Schedule relatively to each other; individual Incomes under Schedules C. and E. were charged relatively, with perfect or nearly perfect equality, the effect of the Act coincided with its intention, as almost every Income was charged at the rate and precise amount at which the Act intended it should be charged. Incomes under Schedules A. and B. were probably charged relatively with near equality, but it may be inferred that Incomes under Schedule D. were charged with much relative inequality, the deficiencies in individual cases having probably been in very different degrees.

It must however be considered, that the magnitude of the deficiency both under Schedules A. and B. arose partly from a circumstance which is not likely at any period of a future Tax to recur, viz. a most extraordinary and rapid course of increase (real and nominal) of Rents and Profits from Lands for several years successively. The rules of the Act (which precluded increase of charge in cases of leases of or beyond 7 years until after the expiration of that period) not allowing a concurrent and proportionate advance of the Tax either in respect of the Rent of the Landlord or the Profits of the Tenant, and limiting the charge on the latter to the general rate of three-fourths of the Rent as fixed in the first instance, which undoubtedly was much less than the real proportion of the Occupiers' Profits in the latter years of the War. It may however be concluded that the annual increase in the Property Tax Assessments of the latter years arose partly from deficiency of charges in former years discovered and supplied, and not wholly from actual increase of Rents and Profits.

### *Wages.*

Although the Property Act subjected to charge all Incomes derived from Wages exceeding 30s. in any week, a very small proportion only of such Wages was brought into charge.\* Considering the very high Wages paid

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\* It was estimated during the late Property Tax that if it had been enforced on all Wages exceeding 30s. per week, viz. £78 per annum, the charge on which was £4 4s. 0d., it would have produced £1 million. This would suppose upwards of 200,000 Individuals earning Wages exceeding 30s. per week and the total amount of such Wages to have been nearly £20 millions.

to some descriptions of Artificers and Mechanics during the War, it is conceived that the highest Rate of Wages may be taken at 40s. per week for each family, and that the lowest Rate, including the Earnings of Parents, Children, and every member of each family, cannot be taken at less than 10s. per week; the mean rate of the two extremes is 25s., but as that probably was higher than the actual average rate of Wages paid to the Laboring Classes, the computation may be safely made at the rate of 18s. per week, or about £47 per annum, and the aggregate will be as follows:

The Total number of Families and Persons with Incomes is } assumed to have been about.....	3,000,000
The Total number of Families and Persons charged to the } Property Tax on Incomes exceeding £50.....	*645,000
Number of Families and Persons with Incomes not exceeding £50	<u>2,355,000</u>

A great number of these Families with Incomes not exceeding £50 did not derive them from Wages, but otherwise in a small way of Trade, Farming, &c. the amount of such Income may be taken at about £10 millions, (which is included in the Estimate of £212 Millions), and the number of Persons sharing it at 250,000, leaving about 2,150,000 Families living by Wages, which at £47 per annum, would amount to about £100 millions.

*Estimate of the Total Income of Great Britain at the latter period of the Property Act.*

The Total of the Income of Great Britain at the latter period of the Property Act, comprehending every description and amount, will appear from the foregoing Estimates as follows:

	Millions.
Total Amount of Income, exclusive of Wages .....	£212
Amount of Income from Wages.....	100
Total..	<u>£312</u>

Dr. Colquhoun estimated the New Property or Value of Productions annually raised from the use of Capital, Machinery, Skill, and Labor, in Great Britain and Ireland, at £430 millions, which, distributed among the various Classes and Ranks of Society, viz. in the way of Rent to the Proprietors of

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\* Vide Estimate under a subsequent head.

Lands, &c., of Profits to the Occupiers of Lands, also of Profits to Persons in Trade, Professions, &c., of Wages to Laborers, &c., and by way of Taxes to the Fundholders and Persons employed by the State, was taken to constitute the Income of those several Classes.

A classification of this Income according to amount has been given by Dr. Colquhoun, but not in such a form as to admit of a comparison of it with the classification from the Income and Property Tax Accounts, excepting that as he distinguished the amount of the New Property or Income distributed among the lower classes of families or persons whose Incomes or Earnings, principally Wages, did not exceed £50, a compare of the proportions of aggregate Income below and exceeding that amount may be made as follows :

	Millions.
Total Amount of estimated Income .....	£430
Total Amount of estimated Income under £50 .....	128
Total Amount of Income of £50 and above .....	302
Dr. C. estimated the Total productive private Property of Ireland at about one-fifth of the total productive Property of the United Kingdom, assuming the proportion of Income derived therefrom at the same rate for the purpose of this compare it will be .....	60½
Estimated Income of £50 and above for Great Britain .....	£241½

Dr. C.'s estimates distinguish the several items of New Property, or Income under the heads of Agriculture and Trade, Manufacture, Commerce, &c. and the amounts of them, in the aggregate, appear as follows :

	Millions.
Agriculture (including £9 millions for Mines and Minerals) .....	£226
Trade, Manufacture, &c. (including £5 Millions Foreign Income re- mitted) .....	204
Total Income..	£430
His Estimate of Income under £50, was .....	£128
Deduct for Ireland one-fifth .....	25½
Total amount of Income under £50 for Great Britain..	£102½

Following Dr. C.'s Computation, the Total Income of Great Britain might be taken as follows :—

	Millions.
Income of £50 per annum and above.....	£241½
Income under £50, including Wages .....	102½
	<hr/> *£344

In a Work which may be considered as upon the whole most favorable in its views to an Income Tax, it may seem inconsistent to make the operation of the late Tax on different descriptions of Income appear so unequal and deficient as it is here represented to have been; after offering, however, for consideration modifications of the late plan, it is deemed most proper candidly to submit the supposed degree of that unequal and defective operation, as the propriety of those modifications may partly rest on their probable effect in those essential respects. The inequality and deficiency of the late Tax, partly arising from evasion and partly from imperfection of plan and defect of execution, cannot be denied, and they were greater perhaps than some of the friends of it conceived; but whatever the degree of them may have been, they are presumed to be remediable to a great extent in a future Tax; the difficulties of rendering the Tax perfectly full and equal, and wholly unobjectionable in other respects, have been fully and fairly exposed in the Second Part of this Work; but though perfect equality cannot be anticipated from any change of the late plan, yet not only it may be expected that with due practicable modifications its relative exactions would, compared with those of other Taxes, be more correspondent with relative means; but it must be also considered that the greater equity of an Income Tax consists not wholly in the more just proportions of its demands, taking classes or individuals, or individuals of the same class, relatively to each other, but in a great degree in the readier variation of the amount of its exaction from each class or individual as the particular means of each vary; the partial operation of an Income Tax arises partly from causes which may in some degree make it reconcilable, for according as any Income is in its nature fixed and durable, so it is most effectually reached by the Tax, particularly such as is derived

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\* The new Property or Produce formed in the first instance the Gross Income of the Agricultural, Trade, &c. Classes—the payment out of it to the Fundholders and Public Servants left the former with a Real Income of less than £300 millions. Comparing that amount of the Total Income of the United Kingdom which is assumed as the proportion for Ireland, viz.—

Of and above £50	Under £50	Total
£60½ millions	£25½ millions	= £86 millions,

with the Estimates of other Writers on the Income of Ireland it would appear to be excessive: if it be so, then the amount which should be herein assumed for Great Britain would be proportionably greater.

from Taxation itself, and according as Income is of a description fluctuating and uncertain, so it is most difficult to be fully attained for charge. These natural results corresponding with the various natures of different descriptions of Income may not be considered undesirable in a general view, and the consideration becomes the stronger as it regards Manufactures and Trade, from their greater liability than other sources of Income not only to fluctuation and uncertainty but to complete destruction, for however variable and precarious the amount of Profits from Landed Property may be, the Property itself remains, it yields some Profit, and is capable of maintaining, however indifferently in adverse seasons, or assisting in the maintenance of, the Owners, Tenants, and Laborers who have been accustomed to subsist upon it, but a source of Trade, &c. may be wholly annihilated, or so extremely reduced that those who have depended on it can derive no subsistence whatever from it. At the same time, as has been contended in the Contrast submitted in the First Part of this Work, it is to be borne in mind that the Process of Taxation on Commodities is such as to be most disadvantageous to Capital and Income of a fluctuating and uncertain description as those of Commerce and Trade: it is not only the greater degree of inequality with which those Taxes operate, but the injurious effects of that Process and also detrimental consequences in those other respects which have been fully exposed and from which an Income Tax is comparatively free, that give the latter measure its great superiority.

*On the probable Amount of the National Income at the present Period.*

In attempting some estimate of the Amount of the total Income of Great Britain which would be chargeable to an Income Tax if revived at the present period, it is assumed that the principal causes of any alteration of its former amount may have been, on one side, the fall of Prices, arising partly from the state of Agriculture and Trade and partly from the change in the Currency, and, on the other side, the increase of Population, which has proportionably augmented the number, and, to a great, though not perhaps to a proportionate extent, the amount of Incomes.\* How far the increase of Population, with an improvement in some sources of Income in consequence of the Peace, may have balanced the causes of diminution of Income it is difficult to estimate satisfactorily; but it may not be drawing too favorable a view of the present state of Income compared with the state of Income at the latter period of the War, to assume that the amount of additional taxable Incomes from increase

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\* It appears by the Census of the Population in 1811 and 1831 that the rate of increase during that interval has been upwards of  $\frac{1}{3}$  of the number of Persons in 1811.

of Population, and the amount of a considerable number of former taxable Incomes which have improved or have remained unaltered, are not in the aggregate less than one-fourth of the former total Amount (taking it at £212 millions), or £53 millions, that the remainder, amounting to nearly £160 millions, has materially diminished, that the average rate of diminution of it has exceeded one-fourth, say £40 millions, leaving the present chargeable Income at not less than £170 millions. The former and present Amounts as estimated under the different Schedules might be then as follows, viz.

	Former Amount. Millions.	Present Amount. Millions.
Schedule A. ....	£70	£60
„ B. ....	47	30
„ C. ....	30	29
„ D. ....	50	40
„ E. ....	15	11
	<u>£212</u>	<u>£170*</u>

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- \* Sch. A. It is conceived that the principal, if not the whole, diminution of Income under this Schedule has been in the Rental of Land—that the number of Houses has so greatly increased that the Rents of the new Houses balance any diminution of the Rents of Houses before built; assuming as before the Rental of Land in or previous to 1814 at £48 millions, and allowing a fall on the average of between 20 and 25 per Cent., the present amount would be about £36 millions, which added to the Rental of Houses, Tithes, and other Profits chargeable under Schedule A. and assessed in 1814 at nearly £21 millions, but assumed then to have been and still to remain at the sum of about £24 millions, would make an aggregate of £60 millions.
- Sch. B. The greatest diminution in any description of Income has arisen in the Profits of the occupation of Land. The amount of diminution is here taken at nearly two-fifths of the former assumed amount. Although the Rents have been much reduced, the present average rate of Profits is not taken as much exceeding three-fourths of the Rent, which added to Profits of Tithes compounded for and leased would yield about £30 millions.
- Sch. C. It should be observed that the Dividends of Funded Property did not attain their maximum amount till after the year 1814, therefore the accounts of Property Tax for that year do not exhibit it. The estimated diminution of Income under this Schedule on account of the subsequent reduction of the 4 and 5 per Cent. Stocks is not so great as it would appear if compared with the amount assessed in the year 1815, viz. £33 millions, which was extraordinarily great, as, besides the Dividends of an increase of Funded Debt, it included an unusually large amount of Interest of Exchequer Bills.

If the reduction of Wages be computed at one-third, and the average rate of Wages paid to all classes, which has been taken at 18s. per week or £47 per annum during the War, be supposed to have been reduced to 12s. per week or £31 4s. per annum, and if an addition be made on account of subsequent increase of Population\* with Incomes derived from Wages, the total Amount would be at least £70 millions. This result would render the aggregate Income as follows :

	<i>Millions.</i>
Total amount of Income exclusive of Wages .....	£170
Ditto                      Ditto    from Wages .....	70
	<hr/>
Total..	£240
	<hr/>

As the Total Income, including Wages, before the end of the War, is taken (p. 17) at £312 Millions, the subsequent aggregate rate of diminution is £72 Millions, or rather more than two-ninths.

Some judgment may be formed of the Total amount of Income of the present period by considering the Sum necessarily expended by or on account of every individual of the whole population on an average.

Sch. D. Conceiving that the total Income from Trade, Commerce, Professions, &c. chargeable during the late Property Tax has been herein estimated at a low amount, and that the Peace and other causes have materially benefited some branches of them, it is considered that, although the average rate of diminution on the aggregate amount is not taken at more than 20 per Cent. the assumed amount of the present Income (£40 millions) is not excessive.

Sch. E. The rate of diminution under this Schedule is taken at upwards of one-fourth. The reduction in amount of chargeable Income is not proportionate to the reduction in number of Public Appointments and Employments since the War, as half or retired Pay and Pensions, are received by most of those who have retired from Service.

In estimating the rate of diminution under Schedules A. B. and D. it is very material to consider it with regard to *aggregate* amounts. The average rate of *individual* diminution of former existing Incomes under either Schedule, may in general be greater than now taken, but the large addition to the number of Incomes created by the great increase of Population must have had the effect of preventing so great a reduction in the *aggregate* rate of diminution ; former Income may therefore have become more subdivided, but not much lessened in aggregate amount.

\* The rate of increase in the number of Families 1811 to 1821 was  $\frac{1}{11}$ , assuming that rate of increase has since continued, the number in receipt of Wages might be assumed to have increased to nearly  $2\frac{1}{2}$  millions.

By the Returns of the Population of Great Britain, collected in } the year 1821, the number is stated at .....	14,391,631
Subsequent Increase at $\frac{2}{3}$ .....(say)	2,200,000
Total estimated Number of the present period.....	*16,591,631
Suppose that the amount of Income expended by or on each } Person be upon an average 10d. per Day or £15 per } Annum .....	15
The Total Income expended would be .....	†£248,874,465

The chargeable Income of the year 1814 has been estimated at an amount of £212 millions, and the present chargeable amount is taken at £170 millions only, but as the proportion of the latter attainable for charge has been assumed in the Estimates of this Work at nearly the amount (£170 millions) charged in 1814, reference is requested to the reasons offered for this assumption, (Note, Second Part, p. 208); at the same time it is to be observed, that former experience and knowledge would, together with improved rules in a future Plan, render material assistance to future practice and prevent so much deficiency as before existed. It was difficult while Rents and Profits were in a course of progressive increase to obtain Returns proportionably increasing; the early Returns were in many cases too long adhered to; the interference of those whose duty it was to prevent evasions as much as possible was insufficient to make the Tax keep pace with the advance of Income.

The rate of depression of Prices and Profits from the change of Currency has been variously estimated by different writers; but whatever the rate may be, as the aggregate amounts of the Value of articles of Commerce, Manufacture, and Trade, must, notwithstanding the depression of prices, have been much kept up by the increased demand and consumption, arising partly from the greater cheapness of them and partly from the increase of population, the *aggregate* amount of Profits cannot have been reduced in the ratio of the reduction of the Currency; and though upon the balance of effects of the

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\* Since this Estimate was made the result of the Census taken of the Population in 1832, has been published. The total number of Persons in Great Britain is stated therein at 16,537,398.

† "The annual Income of Great Britain after making allowances for the reduction of Rents and the diminution of the Profits of Trade since the War may be stated to be from £250 to £280 millions." (Vide Earl of Liverpool's Speech, 26th February 1822, on the Agricultural Distress.)



several causes operating differently on Property and Income the proportion of it attainable for charge to a future Tax might not realize immediately such results as appear in the Estimates of the Produce of Duty offered in this Work, yet, anticipating augmented means of contribution from still further increase of population, and from the improvement of Agriculture and Trade, which will be materially aided by the abolition of the present Taxes, it may not be too much to expect that a future Income Tax would in time comprehend within its operation as large an amount of Income as those Estimates exhibit.

*Nominal and Real Amount of National Income distinguished.*

The Income of the Country is to be distinguished under two points of view, in as far as Taxation, which forms the Income of a large portion of the Community, is but Income taken out of the Income of the rest, The Income of the Country is then to be shewn in one view as Real and in the other as Nominal.

The Real Income of the Country as charged to the late Tax, and the Real Income as it is assumed to have been at the latter end of the War, are as follow :

		Real Income as charged.		Real Income as assumed.	
		Millions.		Millions.	
Not derived from the Public Revenue..	Schedule A.	..	£60½	.....	£70
	„ B.	..	27½	.....	47
	„ C.	..	2*	.....	2
	„ D.	..	37½	.....	50
	„ E.	..	1½	.....	2
		<hr/>		<hr/>	
		£129½		£171	
Ditto .....		Income derived from Daily or Weekly			
		Wages of Labor not charged to the		90	
Tax .....				<hr/>	
				£261	
				<hr/>	

\* The amount of Income charged under Schedule C. which was not derived from the Public Revenue is not distinguished in the Accounts, this Sum is therefore partly estimated.

The total Nominal Income would appear to have been as follows—

		As charged, Millions.	As assumed, Millions.
Amount of Real Income...		£129½	£171
Derived from the Public Revenue	Sch. C. ....	28	28
	„ E. ....	12½	13
		£170	£212
Ditto.....	Daily Pay of Soldiers and Sailors and other Public Servants, not charged to the Tax* .....	10	10
	Wages of Labor, Ditto .....	90	90
Total Nominal Income ..		£270	£312

Supposing the total Real Income as before assumed, viz. £261 millions, to have declined in the proportion of nearly one-fourth, the present Real Income would not exceed £200 millions; and supposing that the present Income of the Public Creditors and Public Servants may be taken at £45 millions, the Amount of the Nominal Income at this period would be about £245 millions.

*Comparative Estimates of the Amounts of Taxation and of Income at different Periods, distinguishing Income derived from the Public Revenue and Taxation on that Income.*

As it is impossible, under the present system of Taxation, to ascertain and distinguish the effects of it on the various sources of Income, so it cannot be shewn to what extent Taxation has affected the different Classes of Society. It is certain that a great increase in the general amount of the Income of the Country has been realized notwithstanding a much greater proportionate increase of Taxation, from the year 1792, the year preceding the commencement of the late War, (a date to which it appears customary to revert when comparative views of the state of the Country at different periods are taken). It has been observed, that “an increase of population cannot take place without a proportionate or nearly proportionate increase of wealth.”† The rate of Increase of *Nominal* Income since 1792 had at the conclusion of

\* This is a mere conjectural estimate of the Amount, the Accounts do not furnish it distinctly.

† Malthus.

the War (1815) far exceeded the rate of increase of population; but taking into account the previously depreciated and the subsequently restored value of Money, and the corresponding augmentation and diminution in the nominal amount of Income, it might prove, if the precise results were shewn, that the increase of *Real* Income and the increase of Population had up to that date, and have from that to the present time, been nearly proportionate to each other; if so, individual Incomes have, *on the average*, continued without alteration in real value, though not in nominal amount, throughout the whole intervening period.

As then the rate of increase of Population has differed from the rate of increase of *nominal* Income, it appears essential to estimate the *average* amount of individual Income at various periods, as presently attempted, as shewing more readily, on a comparison of one period with another, the rate of increase or decrease of aggregate real Income, after due allowance has been made for the degrees of depreciation and restoration in the value of Money.

According as Population may have increased more or less proportionably than *Real* Income, it may be generally considered that the state of the Country has, on the whole, been improved or been deteriorated; but the question of equal or more importance may be, whether the Division of the aggregate Income has maintained its former or proper state, whether the apportionment of it among the various Classes, high, middle, and low, in all their gradations has remained the same, or if it has undergone any change, whether that change has improved or deteriorated the general state of Society: this exposition it may be impossible to give confidently and correctly in an arithmetical form; it is believed that there does not exist any more authentic documents for estimating numerically the Divisions of Income than the Classification contained in the last Accounts of the Income Tax made up for the year 1801, which has been used in this Work as the only basis which could be resorted to on which to estimate the Income in Classes of a subsequent period; but as the Accounts resorted to give the Classification for one period only,\* they cannot be used for estimating for another period, the *Total* Income only of which other period may be known, any variation in the apportionment of Income which may in the interval have taken place among the several Classes, as any calculations founded on them must give, though not the same amounts, yet the same relative proportions.

As there appears however a want of positive information as to any variations which may have actually occurred in the division and classification of the general Income, it may be desirable to estimate, as well as existing ac-

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\* Classifications were made for each of the years 1799 and 1800, during which time the Income Tax lasted, but the Amounts of the different Classes are very immaterially different from those of the year 1801.

counts will admit, the changes which have taken place, not only in the average individual amounts of Income but in those of Taxation, also in the proportion which the aggregate amount of Income has borne to the aggregate amount of Taxation within the period of nearly 40 years from 1792, during which changes of greater magnitude have occurred in those particulars than had taken place within a century preceding.

Taking the Accounts of the late Property Tax as containing, though deficient amounts, on the whole, of the Income chargeable with it, yet a tolerably good comparison of the Amount of Income in the different years comprehended within the period of those Accounts, and reverting to other evidence already offered, it appears that the Amount of the Real Income of Great Britain was at least doubled during the late War; viz. from 1792 to 1814.

	Millions.
The Amount of Income attained for Charge to the Property Tax of } the Agricultural, Trade Classes, &c. in 1814, (Sch. A. B. & D.) }	£126
Ditto ditto 1803.....	91
Increase in the last half of the period of the War, 1803 to 1814. ...	£35
Supposing the taxable Income was doubled during the War, the In- } crease within the first half of the said period from 1792 to 1803 was }	*28
Supposed Income of 1792, being one half of the taxed Income } of 1814, exclusive of Wages .....	+£63

If an estimate be made according to the amount of the Income attained for charge to the late Tax of all Classes, including the Public Creditors and Servants, that is of the *nominal* Income, exclusive of Wages, the result appears as follows :

	Millions.
Amount charged in 1814.....	£170
Do. 1803.....	111
Increase during the last half of the period of the War.....	59
Suppose that the taxable Income was doubled during the War, the } Increase within the first half of the period was .....	*26
Supposed Income in 1792, being one-half of the taxable Income of } 1814, exclusive of Wages .....	+£85

\* As the Bank Restriction Act, which occasioned such an extraordinary increase of the Circulating Medium and depreciation in the value of Money, with a corresponding *nominal* increase in the amount of Rents, Profits, &c., did not take place till the year 1797, it seems probable that the rate of increase of Income was not so great during the first as during the last half of the period in question.

† As the Property Tax did not charge the full amount of Income which was liable or which should have been rendered liable to it, the sums estimated as the real or nominal Income of 1792 should be taken as proportionably deficient.

The following is offered as a rough Estimate of the aggregate amounts of Income and of Taxation, also of the *average individual* amounts of Income and Taxation of the Agricultural, Trade Classes, &c. at three different periods, viz. before the commencement of the late War, at the end of it, and at the present period, (1831).

Number of Persons of the Agricultural and Trade Classes possessed of Incomes.*	Gross Income of these Classes.	Taxation, deducting the propor- tion paid by the Public Creditors and Servants.	Net Income of the Agricultural and Trade Classes.	Average Individual amount of Gross Income of ditto.	Average Individual amount of Taxation paid by ditto.	Average Individual amount of Net Income of ditto.
	Millions.	Millions.	Millions.			
	£	£	£	£ s.	£ s.	£ s.
1792—2,100,000..	130....	14....	116 ..	61 18 ..	6 13..	55 5
1815—2,400,000..	250....	46†....	214....	108 7 ..	19 3..	89 4
1831—2,800,000..	200....	37½+..	162½...	71 8 ..	13 7..	58 1

According to some calculations of the effects of the alterations in the Currency, and of other causes which, as well as the increase or decrease of Taxation, occasion a rise or fall of Prices or vary the extent and the value of Money in circulation, it would appear that an Income of £100 of the year 1814 was equivalent to an Income of £60 in 1792, and that at the present period the value has been nearly or in a great degree restored. Whatever the degrees of former diminution and of subsequent restoration of the value of Money may have been, in those degrees the former increase and the subsequent decrease of Income and of Taxation should be considered as more nominal than real.

With reference to the difference of opinion as to the effects produced on the National Income by the increase of the National Debt and of Taxation, it may be observed, whether the increase of Income is to be considered to have taken place rather as in spite of the increase of Debt and Taxation than as in any

\* From the Returns of Population since 1792, and from estimates of it for that period, it would appear that the rate of increase from 1792 to 1830 has, on the whole, been about one-half; but as in forming the numbers here given a much larger proportion for the number of the Public Creditors and Public Servants has been deducted for the years 1814 and 1830 than for 1792, the rate of increase of the other Classes appears one-third only.

† As the difference between these two sums is not near equal to the amount of Taxes repealed or reduced since the War, it is to be observed that the reduction of Taxes, or other causes, have so far increased the productiveness of the remaining Taxation that the increase of it amounts to more than one-half of the amount of the Taxes repealed or reduced.

degree in consequence of it, that although the Principal of the Debt was trebled, and the Expenses of the State greatly increased during the late War, yet if the Income of the Country was doubled at the end of it, the increase of the Annual Charge of the Debt and Taxation within the same period, deducting therefrom the proportion repaid to it by the Public Creditors and Servants, did not amount to one-fourth of the increase of annual Income which took place at the same time; and notwithstanding the reduction of nominal Income since the War, the excess of the Income of the present period beyond that of 1792 may be taken at three times the amount of the increased Charge of the Debt and of Taxation for the other Expenses of the State.

As it is assumed that the united Capital and Labor of  $3\frac{1}{2}$  millions of Persons or Families of all classes produce at this period an aggregate Real Income of £200 millions, including Wages, or superadding thereto the Incomes of the Public Creditors and Public Servants, &c. an aggregate nominal Income of £245 or £250 millions, the following further conjectural Estimate is offered of the Division of the whole Income between the Classes whose Incomes are derived from Taxation and the Classes whose Incomes are not derived therefrom, also of the Net Amounts of Taxation paid by the latter and received by the former respectively.

*Division of Income.*

	Sch. A. B. & D.	Sch. C. & E.	Incidental Expenditure of Government.	Total.
	Millions.	Millions.	Millions.	Millions.
Nominal or Gross Income	£200	£45	£5*	£250
Taxation .....	37 $\frac{1}{2}$	12 $\frac{1}{2}$	—	50
Real or Net Income	£162 $\frac{1}{2}$	£32 $\frac{1}{2}$	£5	£200

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\* This conjectural Sum is not included in preceding Estimates of Nominal Income;—in the disbursement of it by Government, it creates additional Real Income principally among the Trading Classes.

*Taxation paid by*

	Millions.		Millions.
Schedule A. ....	£20½	exceeding ½ of the estimated Income	£60
„ B. ....	7	less than ¼ do.	do. 30
„ D. ....	10	= ¼ do.	do. 40
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Real amount of } Taxation.... }	£37½	exceeding ¼ of the taxed Income..	£130
		Wages exempt ....	70
		less than ½ of total Real Income..	£200
Schedules C. and E. ..	£12½	exceeding ¼ of the estimated Income	45*
		Incidental Expenditure..	5
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Nominal amount of } Taxation..... }	£50	= ½ of total Nominal Income	£250
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*Taxation paid to*

	Millions.		Millions.
Schedule C. ....	£19½	nearly ⅓ of the total Real Income of	£200
„ E. ....	13	„ ⅓ do.	do.
Incidental Expenditure	5	= ⅓ do.	do.
	£37½	nearly ½ do.	do.
<hr/>			
	Schedules A. B. & D.	Schedules C. & E.	Total Number.
Number of Families or } Persons possessed of } Income .....	2,800,000	700,000	3,500,000
Average Individual No- } minal Income..... }	£71 8 0	£64 6 0	£70 0 0
Average Individual Tax- } ation .....	£13 7 0	£17 18 0	£14 5 9
Average Individual Real } Income .....	£58 1 0	£46 8 0	£45 14 3

\* Including the proportion exempted from the Tax. If the rate of charge be computed on the proportion charged, viz. less than £40 millions, it would not be much less than one-third of that proportion.

## Proportions which appertain to the Agricultural, Trade Classes, &amp;c.—

Of the Total Amount of Nominal Income ..	$\frac{1}{3}$
Do. do. Taxation .....	$\frac{1}{4}$
Do. do. Real Income ....	$\frac{1}{11}$
Of the Total Number of Population.....	$\frac{1}{3}$ *

As a considerable reduction of the rates of Wages, of Labor, and of the Pay of Soldiers, Sailors, &c. might be made if they were exempt from Taxation, the virtual relief therefrom attainable by the Incomes of the taxed Classes would be proportionate to that reduction.

As one object of the foregoing computations is to exhibit the real amounts or relative proportions of Taxation which if the whole Revenue were raised by an Income Tax would be borne respectively by the Agricultural, Trade Classes, &c. supplying Taxation, and by the other Classes subsisting on it, it is to be observed, that if the present means of the former Classes to bear Taxation are overrated so is also the amount of Taxation affixed to them, and the amount

\* The number of the Public Creditors and Servants taken in the above rough estimate is greater in proportion than the total amount of their Incomes; if the number were taken in the proportion which the total amount of their Incomes would give, the average individual Income of those Classes would be the same as the *general* average amount, but it is conceived that the number as taken is not overrated. Income from Funded Property is so very much dispersed among all classes that the number given is probably much short of the whole number among whom it is divided, comprehending many who have other Incomes, and who belong therefore in part to other Classes. The total number here assumed under Sch. C. and E., may perhaps be considered as the number of those whose Incomes are derived *wholly* or *principally* from the Revenue.

It is apprehended that there is a very large proportion of the Public Servants of the lowest ranks whose respective Incomes arising from small daily pay are less in individual amounts than are earned as daily Wages by those among the Laboring Classes in general; also a large number of Public Creditors and Public Servants living on small Annuities and Pensions, less in amount than they had or would have earned in active life and employ; that therefore the Individual Incomes of the Public Creditors and Servants are *on the average* smaller than those of the other Classes. So much of the sum of £5 millions here conjecturally taken for incidental Expenditure of Government as is expended for clothing, lodging and subsisting some of the Public Servants (whose pecuniary pay and allowances only are included in the rough estimate of their Income) may be considered as forming a part thereof, and therefore as virtually increasing the individual average amount of it. The proportion which the number of the Public Creditors and Servants bears to the number of the rest of the Population is assumed to be as 1 to 4—the proportion which the Net Income of those Classes (£32½ millions) bears to the Net Income of the other Classes (£162½ millions) is as 1 to 5. The excess of the Rate of the Tax on Income under Schedules A. and C. arises chiefly from the principle of it, that is, the charge is at a higher rate on Income derived from Property than on Income otherwise derived.



of Taxation on the Revenue Classes is underrated. On a question now so disputable and involved in obscurity, and which must ever create wide differences of opinion until an Income Tax be fully established and bring out certainty and truth, it may be added that any attempt to estimate the relative means of the different Classes to bear Taxation and the real weight falling on them respectively, cannot be made so as to give a result conclusive and satisfactory to every one, but so far all must agree, as an axiom, that under perfectly equal Taxation (to which an Income Tax approaches nearer than any other system of Taxation) the exact proportion paid to Taxation by every individual tax payer should and will be as his individual means are to the aggregate means of all the tax payers, and the positive amount paid by him will be less or more as the aggregate means of all the tax payers are augmented or reduced; likewise that the individual amount received by every tax receiver and the aggregate amount received by all the tax receivers will be more or less as the aggregate means of all the tax payers increase or diminish.

If the statements which have been lately made of the very reduced amounts of Rents, Profits, and Wages at the present period be correct, the present Income of the Agricultural, Trade Classes, &c. may be overrated by the foregoing Estimate of it. As there is the satisfaction of knowing that the more reduced the Income of those Classes, the less will be the real amount of Taxation paid by them and the greater will be the sum repaid by Incomes derived from Taxation, or in other words, to a greater amount will Taxation be reduced or abolished, particularly if the Revenue be raised wholly by an Income Tax—it may be worth while to compute these effects on a supposed Amount of Real Income, which shall be as low as the most desponding can apprehend. Let it then be imagined that the total Income of the Trade, Agricultural Classes, &c., including Wages, does not exceed £150 millions, and that the proportion of it derived from Wages is £50 millions, that the nominal amount of Taxation and the nominal amount of Income derived from it by the Public Creditors and Public Servants nevertheless remain the same; under these circumstances, and premising that upon the supposition of such a very reduced amount of Income of the Agricultural, Trade Classes, &c., but of no reduction in the numbers of those among whom it is divided, the number of Individual Incomes brought into lower Classes, by which they would, under a graduated Scale of Charge, become chargeable at lower rates or be wholly exempted, would be greatly augmented, the Income Tax would consequently operate in an increased ratio on the Incomes derived from Taxation, the number and individual amounts of which are supposed to continue the same; estimating then that the aggregate amount of real Taxation on the Agricultural, Trade Classes, &c. would be reduced from three-fourths (the proportion hitherto taken) to three-fifths of the nominal amount of Taxation, and that the

remaining two-fifths would fall on Revenue Incomes, the result would be as follows :

	Gross or Nominal Income.	Tax.	Net or Real Income.
	<i>Millions.</i>	<i>Millions.</i>	<i>Millions.</i>
Schedules A. B. and D. ....	£100 .....	£30 .....	£70
Wages .....	50 .....	— .....	50
	£150	£30	£120
Schedules C. and E. ....	45 .....	20 .....	25
Government Incidental Expenditure	5 .....	— .....	5
Total .....	£200	£50	£150

It must not however be omitted to be stated, that Opinions have been published from most respectable Quarters that the *aggregate* Income of the Nation has not been diminished since the War, but that it has, both really and nominally, been increased. The greatly increased quantity of consumption and consequently of production necessarily occasioned by the very great increase of population since that period would seem to sanction these Opinions. The diminished amount of Money Circulation may however be stated as most likely to have kept down the nominal amount of the Income; the Value rather than the extent of the total Income may have been augmented; the Value may have advanced while the Amount may have retrograded.

*On the great importance of the Information afforded by an Income Tax of any variations in the general amount of Income and in the division of it among the several Classes.*

On the important question, whether the general Income of the Country has of late years diminished, it may be further observed, that if the quantities of untaxed Commodities have increased as well as those of taxed Commodities, (and an increase of the former may, from the fact of the increase of the latter in general, as proved by the Public Accounts, and the great coincident increase of Population, be concluded to have taken place), then, as the amount of the value of the new Produce of every kind which is annually created, constitutes Income to an equal amount, in some way, to the Classes or Individuals who create it or share it among them, the aggregate Income of the Nation must have increased

in *real* value, whatever may have been its alteration in *nominal* Amount.\* Adopting other premises: it may be concluded, if the pecuniary or *nominal* value of the aggregate mass of Produce and Commodities has fallen since the War, though the aggregate quantity of them has increased, the total *nominal* amount of Income must have proportionably diminished; but as the aggregate *real* Value of Produce, &c. cannot have diminished while the quantity of them has increased (for the *real* value of a quarter of Wheat, a stone of Meat, a hogshead of Liquor, &c. must be the same at all times), it will again follow that the aggregate *real* value of the total National Income must have increased, although by alterations in the Currency it may have been diminished in nominal amount.

Furthermore; as the necessaries, conveniencies and luxuries of life do not alter in their *real* value in use because they alter in their nominal value, because they

\* The usual division of Income has been into Rent, Profit, and Wages; to these three heads has been added by some Writers a fourth, viz. Taxation—but it is conceived that Income derived from Taxation may properly be comprehended in Rent, Profit and Wages, out of which it is exacted or to which it is but a nominal addition.

The value of New Produce derived from Land constitutes Income in the way of Rent to the Owners, of Profit to the Occupiers, and of Wages to the Laborers, after deducting incidental expences of cultivation, as machinery, utensils, repairs, &c., and from the supply of which articles, persons of other Classes necessarily derive Incomes to an amount equal to the amount of the expence of them. In the same manner the value of Produce, Merchandize, and Manufactures sold in Commerce and Trade, constitutes Income to an equal amount in the way of Profits and Wages, to the Merchants, Traders, Workmen, &c. employed in or dependent on them. Some Writers, as it seems, treat immaterial as well as material products, as a part of the wealth of a Nation, but this course is not followed by others, among which latter is Dr. Adam Smith. The pecuniary value of an immaterial product gives the Producer of it command over a proportionate share of the material products, but as immaterial products must in general diminish or increase in extent with material products, the value of the latter appears to constitute the real Wealth or the standard of the Wealth of the Country, while immaterial products increase the number of the sharers of it. To pursue this question would be to enter unnecessarily here upon the complicated subject of the nature of Wealth, of the distinctions of productive and unproductive Labor, &c. on which points there are such very conflicting opinions among the best Writers; it will therefore only be further suggested, that the Tables in the Treatise of Dr. Colquhoun on the Wealth of the British Empire (so much referred to in this and other Works of the kind) give, if not a perfectly accurate estimate of, yet an illustration of the *proper mode* of estimating the Amount and Division of the Income of the Country, by founding them on the Amount or Value of the New Property or material Products annually created, and by distributing that amount or value among the several Classes of the Community as the full Income of those Classes distinguished under the denominations of productive and unproductive Members, or material and immaterial Producers, and under the various ranks and gradations into which the whole Community is divided.

become dearer or cheaper in money price, so unless the increase of population has been greater in proportion than the increase in quantities of those necessaries, conveniencies and luxuries of life, the *average* individual share of them has not been lessened, the *average* individual Income (by which that share is represented) has not, then, in real value been diminished whatever may have been its diminution in nominal amount; but although the aggregate real value of the general fund of Income has increased, and the *average* individual share of it may have remained unaltered, the division of the aggregate bulk of necessaries conveniencies and luxuries, the apportionment of that general fund of Income, may have been changed for the better or for the worse. Comparing different periods during the last 35 years, it must be found that as the total mass of Productions of all kinds has increased proportionably or nearly so with the total increase of Population, every Class has in its number of Persons and in its amount of *real* aggregate Income been advanced, but if a view be taken under a correct Classification of Income, by which the most perfect knowledge and judgment can be formed of the relative state of the several Classes, it may be found that their proportions in number and in Income, that is, the apportionment of the necessaries, comforts and luxuries of life have been materially altered; if a general Income Tax were established, such a Classification might be prepared periodically from the materials of it as would shew whether and in what degree the relative state of any Class had been changed. This constitutes the very important information which the Public should be constantly in possession of. It is not only essential in Taxation, but it might also assist materially in the determination of other national measures affecting the conditions of the Classes in general or any of them in particular, and in ascertaining accurately the actual results of those measures; it may not be enough to know what is the aggregate fund of Wealth and Income at different periods; whether it is declining, progressing or stationary, it is material also to ascertain *proportions*, "all the great results in political œconomy respecting *Wealth depend on proportions*;"\* if the *proportions* be duly maintained, the *whole* will be in the best state: information of actual results from time to time which an Income Tax would elicit, will shew how far the proportions have duly been maintained and whether any and what changes are necessary.

There appears generally to be some difference of opinion as to the actual state of any particular Class or Branch of the Community when its concerns are by any emergency brought under public notice. The number and amount of Incomes belonging to each Class or Branch at any particular time are, when compared with its number and amount at other periods, also with

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\* Malthus.

those of other Classes and Branches, the surest and least disputable means of arriving at the truth. The rates of Wages of the Laboring Classes though generally well known or easily ascertainable, may not be sufficient data to ascertain the relative state of those Classes, or Branches of Trade, Agriculture, &c. to which they are respectively attached; it is the extent of the Profits in general and the division of them among the rest of the community which are required to be also known. Any differences of opinion which there might be as to the comparative value of Money and of Income at different periods would be immaterial to the principal object of the Classification of Income, which being an exhibit of proportions, the *relative* state to each other of the various Classes and Branches at different times would be known, whatever alterations in the value of Money and of Income had occurred.

Taxation itself, if raised on the best practicable system, may have but little effect, comparatively with other causes, in producing any alteration in the relative state of the different Classes; those other causes may be of far greater moment. As however the operation of Taxation in that respect is constantly called in question, it has been shewn it is hoped in this Work, and which is here the main point to be decided, that the change of system of Taxation advocated in it will in the first place improve, or rather it will less impede the means of Production and Income; that in the next place it will admit of a more beneficial distribution and just apportionment of them, two important advantages, the more to be desired as the one will promote the other; and lastly, that it will give an exposition of the progress and result of Production and of the State Income in general, and of any changes in the distribution of them, more complete and accurate than any other system of Taxation will afford.\*

*On the comparative Extent of Taxation on Real Property at different Periods.*

Although a Scheme as suggested† of an Income Tax on Real Property at fixed quotas, might be called a new Land Tax, it would not, like the present Land Tax at its commencement, be adopted without an equivalent contribution from other sources of Income; and though it would require a sacrifice from Real Property greater in positive amount than that to be sustained by

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\* Much interesting and useful information can be obtained from the printed Documents furnished under the late Property Act; but it is limited and mostly of a general nature—more detailed and various particulars of a valuable description, might have been derived from the Returns and Assessments than the Accounts made up have supplied. The destruction of the Papers by Parliamentary Order prevented the preparation and collection of more materials.

† Second Part, pages 175 and 179.

other Property or sources of Profit, yet if the Income Tax be as fairly charged as it can be, that sacrifice would not be disproportionably greater, and the relief from other Taxes, which both in the cost of cultivating productive Real Property and in the expenditure of Income derived from it, now fall on it with a great accumulation of force, would be more than equivalent to the sacrifice. As the interest and stake in the Country which Real Property gives to its possessors are more important than other Owners of Income possess, as the Income yielded by it is not only far greater in the aggregate than that derived from any other source, but it is more secure, certain and durable, that measure must be most just and expedient which would draw from it a contribution proportionate to the superiority of all its advantages. Any state of depression under which Property in Land and Houses might be would not create any objection to an Income or Property Tax; for though the extent of those resources were lessened, yet in a depressed state, the proportion of the whole amount of the Tax to be charged on Incomes derived from Real Property, and if subject to redemption, the total cost of redeeming it, would be less than if fixed on it when under prosperous circumstances; in cases of Owners of Real Property having also Personal Property, such a period might be preferable to them, as they could then more advantageously apply the latter to redeem the Tax on the former.

On comparing the estimated amount of an Income and Property Tax, or new Land Tax on Lands and Houses (Sch. A. and B.) which under either of the Scales of Charge herein offered may be taken at between one-half and three-fifths of the total Amount charged under all the Schedules, with the extent of Taxation imposed on Lands, &c. at former periods, it might not be found that the burthen cast on them by the Income and Property Tax, or the new Land Tax, would exceed the proportions of the general burthen thrown on them directly by the old Land Tax and indirectly by other Taxes at those periods.

During the Reign of—

William III. the aggregate of the } Land Tax was nearly }			of the Total Amount of all the Taxes raised in that Reign.	
Anne.....	„	„	$\frac{1}{3}$	„
George 1st.	„	„	$\frac{1}{4}$	„
George 2nd.	„	„	$\frac{1}{4}$	„

During the Reign of George III. the aggregate produce of the Land Tax was a very reduced proportion of the aggregate produce of all the Taxes, it did not amount to  $\frac{1}{12}$  thereof; but the proportion of the late Property Tax collected from Lands and Houses was nearly three-fifths of the total amount of that Tax; if in addition to these particular direct Taxes, it be considered that

at the two periods ; as the expence of living will be diminished, the value of Profits as well as of Wages will, in the expenditure of them, be proportionably enhanced ; if Profits and Wages should eventually be diminished in nominal amount by a great reduction in prices, they would not be diminished in proportion to their rise in value ; the situation of Producers in their character of Consumers should therefore never be lost sight of. The conclusion may be, that decrease in the cost of production and consequent increase in consumption on the removal of a system of Taxation disadvantageous in so many respects to Producers, will extend their means of Profits and also maintain in a due degree the previous nominal amount of them. The maintenance of the *nominal* amount may be important so far as it concerns the Producers relatively to other Classes possessed of Incomes of fixed nominal amounts, which otherwise might obtain for a time some advantage ; but even if fixed Incomes should derive a temporary advantage, it is not a sufficient objection against the diffusion of a general benefit that some will participate of it more than others. Incomes which are not fixed may, as capable of being increased, be compensated thereby, in the end, for that temporary advantage which fixed Incomes may on some occasions enjoy ; considering too that there are times, such as the period of the late War, when, from a reverse state of circumstances, fixed Incomes are subjected to a comparative disadvantage. The evils which have arisen from changes in the extent of circulating medium and in the value of Money which it is probable the present mode of levying Taxes has much aggravated, and the consequent fluctuations which have taken place in the relative values of fixed Incomes and of Incomes not fixed, will be greatly abated by the substitution of an Income Tax.

In speaking of a reduction of Wages, it may mean rather in the rates, rather in the individual amounts, than in the aggregate sum of them, for as the change in the system of Taxation will remove impediments to Production, it will follow that Labor will be more fully and constantly in employ, and that though the rates of Wages, taken individually, may on exemption of them from Taxation be reduced, the *total* amount of the Earnings of all the Laborers may be undiminished, if not increased.

If the Rents and Profits of the Agricultural and Trade Classes, &c. have been overrated in the foregoing Estimate, the amount of Wages may have been proportionably so ; but as in that case, Taxation on those Rents and Profits is also overrated, so they would then require proportionably less reimbursement from reduction on Wages, and more of the Tax and less of Reimbursement would be the lot of Income derived from the Revenue.

In anticipating a reduction of Wages on a decrease of Prices ensuing their exemption from Taxation, there is a presumption that those Wages had previously been duly proportionate to Rents and Profits, and as adequate to the

due maintenance of the Laborers as the state of Trade and Agriculture would admit; if however the present rates of Wages would not bear much, if any, diminution, although increased in value by reduction in Taxation on Commodities and Prices, the Income Tax would rest in a greater degree on that Income on which it had been directly imposed, on that *Net* Income out of which, as before observed, all Taxation must ultimately be paid. According to the representations lately put forth of the impoverished state of the Agricultural Laborers, their Wages are inadequate to the due support and maintenance of themselves and families, and they are partly paid in an objectionable way—out of the Poor Rates. The imposition of an Income Tax might be the period for commencing and the means of effecting an equitable adjustment with those Classes by which to establish them on their proper relative footing.

*On the Rate of Increase of Prices arising from the present Taxes on Article of Consumption and Use.*

To what extent Prices of different articles raised by Taxation, acting on each other in multifarious ways with a great accumulation of weight, have ultimately advanced the expence of living, has been variously, and cannot perhaps be precisely calculated. Those Taxes on Articles of Consumption and Use which necessarily raise prices, as being leviable only by means of an increase of prices, may be taken at nearly £40 millions; as Wages in general have been raised in some proportion to those Taxes, as other expences of production than that of Labor have also been proportionably augmented, and as the Advancers of the Taxes, though unequally and often inadequately compensated, have in general obtained Interest at some rate, if not any further Profit, on their advances, the accumulated amount of increase of Prices beyond those Taxes may be taken as in the following Calculation, at 40 per Cent. of those Taxes.

	Millions.
Supposing Wages have on the whole been increased at the rate of 25 per Cent. of the Taxes, taken at £40 millions, the increase may be assumed at* .....	£10
Increase of other expences of Production, taken at 10 per Cent. of £40 millions of Taxes.....	4
Interest and Profit on advance of the Taxes taken at 5 per Cent. ....	2
Total ....	£16

A greater rate than 25 per Cent. of the Taxes on Expenditure may be supposed to fall indirectly on Wages, but the reimbursement to the Laborers by the increase of the amount of wages may perhaps not exceed that rate.



After adding this amount to the amount of the whole of the Taxes raised—£50 millions, it may be assumed from the aggregate—£66 millions,—that upwards of one-fourth of the rates of Prices (taking them *on the average*, the rate being in some articles more and in some less) that upwards of one-fourth of the total expence of living (assuming the expenditure to be equal to the total amount of Income, and the total Income, including the Income derived from the Revenue, to be £245 millions) is occasioned by the present Taxes. If the calculation might be made in a compound ratio in consideration of the alleged reciprocal effects of the prices of different articles, the rate of increase would appear much higher; some writers, adopting this rule, have stated that the effect of the reciprocation is so great, that the aggregate amount of the increase of the Prices beyond the indirect Taxes is as great as, or greater than the amount of those Taxes, from which it would follow that more than one-third part of the total expence of living is created by the Taxes.

*Estimate of the Number of Persons chargeable to the late Property Tax or to a future Income Tax, and a Classification of them.*

The Property Tax Accounts do not furnish any conclusive information of the number of persons who contributed to it. From the plan of charging and levying the Duty on Profit at the source of its production or acquirement in the hands of the first possessor only, a large proportion of persons was not required to make any returns, and was not entered in any Assessments, the Duty being deducted from them by those out of whose Receipts or Profits their Incomes were paid, by which plan, on the other hand, a large proportion of persons was assessed under two or more Schedules, some in the same place, others in various places.

One of the printed accounts of the year 1805 affords the only materials for an estimate of the number of persons charged either under each Schedule or in the aggregate; it is stated to contain the number of persons who had been brought into charge, distinguishing each Schedule under which their Income had been assessed, and the total number of persons who had been exempted. The numbers for each County are also given.

The total numbers of the several Counties are stated as follows:

Sch. A.	Sch. B.	Sch. C.	Sch. D.	Sch. E.	Total Number of Persons brought into Charge.	Total Number exempted.
1,163,955	490,543	47,330	217,586	5,302	1,285,242	280,080

It will be found that the total of the numbers of the several Schedules is 1,924,716, which may be assumed to have been more nearly the total number of the *Assessments*, so far as the Account which is incomplete, extends.

As the Act required that persons entitled to exemptions should nevertheless be brought into assessment and the exemptions be afterwards granted to them, the stated number of persons brought into charge (1,285,242) includes the number exempted (280,080) by deducting the latter, the number of persons contributing to the Duty would appear, 1,005,162; but it is stated in the account that it does not include Scotland or the Public Offices,\* or that part of the Duty paid by the Parties into the Bank of England after they had received their full Dividends.† By making additions to the respective numbers given, bearing the same proportion thereto as the amount of Income of or Duty charged on the numbers omitted bears to the amount of the Income or Duty charged on the numbers given, the total numbers will appear as follows, viz. :

Sch. A.	Sch. B.	Sch. C.	Sch. D.	Sch. E.	Total number of Persons brought into Charge.	Total Number exempted.
1,293,000	529,000	180,000‡	235,000	63,000	1,500,000	330,000

The total of the numbers of the several Schedules will be found to be 2,300,000, which may be assumed as nearly the total number of all the *Assessments*. Deducting the estimated number exempted (330,000) from the estimated total number of persons brought into charge (1,500,000) there would remain 1,170,000 as the total number of persons contributing to the Duty. But it is conceived that the number stated in the account to be the total number of persons brought into charge much exceeded the real number, and that it is the total number of the Assessments under the several Schedules, reduced to the number of persons charged, so far as the mode of preparing the enumerations would admit of such reduction being made by the numerous Officers who prepared them, each of whom included in his enumeration all the persons charged in his parish or district, although many were also charged in other places or districts. Further reasons might be offered for a conclusion that the reduction of that excess of numbers in the accounts of 1805 which arose from repeated enumerations of the same Persons, could not have been made to a sufficient degree, but an explanation of them would add too much to this de-

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\* The number given in the above account is of those Offices of a Public Nature which are not under Government.

† In the year 1805 the Duty was not stopped at the Bank of England, &c. but some persons elected to pay it there, and others at their Residences; the number stated in the account is the number of the latter only.

‡ The total number of Dividend Warrants issued half-yearly at the Bank of England has been stated to be nearly 300,000; the number of persons estimated as above shewn doubtless falls far short of the real number under this particular Schedule.

tail ;\* considering, therefore, only, in a general way, the great proportion of Individuals who must have been charged under the same Schedule in different Parishes in the same District and County, or in different Districts and Counties, as well as under two or more Schedules, the repeated enumeration of many of whom in aggregating the several Parochial and District Returns, could not have been avoided, it may be inferred that the mode of making up the Account must have led to results very excessive, and too vague to be relied on, and that it is impracticable to approximate the actual number by any estimate made from those accounts ; but it is conceived that the number may be estimated (and for the reason given with respect to the estimate of the *amount* charged)† from the Accounts of the Income Tax, the numbers charged to which are arranged therein in Classes. Though the classification in the Income Tax Accounts of the number of persons may be imperfect, inasmuch as from the amounts of their Returns of Income being deficient, many of them are classed lower than they would be if their Returns had been made to the full amount, yet it might be assumed that the *total number* charged was less deficient than the *total amount* charged, as it may be supposed that persons did not so generally evade making Returns as they escaped the full Assessment by making Returns deficient in amount. But as the Property Act operated more extensively than the Income Act, both in more effectually preventing evasion and in not allowing exemptions to Incomes under £50 derived from Property belonging to the parties charged, and as a great addition must be made for the augmentation in the number of Incomes of all classes, arising from the increase of wealth and population from the period of the Income Act 1801 to the latter period of the Property Act 1814, it is assumed that the number of Incomes charged to the Property Tax to the number of Incomes charged to the Income Tax was, in respect of the Classes charged to both Taxes, as the Amount of the former to the latter ; the numbers in the Classes of Income exceeding £50 are in the following Estimate computed in that ratio ; the aggregate number of those Classes charged to the Property Tax appears therefore very nearly double the number charged to the Income Tax. Persons having Incomes less than £50, wholly or partly derived from Property,

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\* The number given in the account under Schedule A. is conceived to be a very great exaggeration (particularly in respect of Houses) of the number of those persons who only should be included, viz. the Owners ; for the Occupiers being the persons nominally charged, it is apprehended that whatever number of Houses, &c. any single Owner possessed, the number given is in general the number of Occupiers of those Houses ; this is evidently the case with respect to the number for the Metropolis for it exceeds 110,000 under Schedule A., which was not much short of the whole number of Houses therein at the period of the account.

† Second Part, page 210.

(Sched. A. and C.) form a very large proportion of the total number charged to the Property Tax. The total number charged under all the Schedules must be almost conjectural, but it may perhaps be safely assumed at less than 900,000.

		Number of Persons in the Income Tax Accounts.	Estimated number chargeable to the Property Tax.	Mean Income of each Class.	Total estimated Income of each Class.	Number of Persons computed from the Mean Income of each Class.
£	£			£	£	
50 and under	100	148,314	281,539	75	21,170,000	282,268
100 „	150	72,379	137,395	125	16,400,000	131,200
150 „	200	33,857	64,270	175	11,050,000	63,142
200 „	500	43,210	82,024	350	25,020,000	71,485
500 „	1,000	15,154	28,766	750	19,440,000	25,920
1,000 „	2,000	6,953	13,198	1,500	17,780,000	11,853
2,000 „	5,000	3,792	7,198	3,500	21,810,000	6,231
5,000 and upwards		1,050	2,010	10,000	20,330,000	2,033
	Totals . . .	324,718	616,400*		£153,000,000	594,130

Total amount of Income £80½ mills. £153 mills.

Estimated Amount of Income less than £50 chargeable under Schedules A. & C.	Mean Income.	Total Number of Persons.
£5,580,000	†£25	223,200
	Classes of £50 & upwards ..	616,400
		Total .. 839,600*

By the Summary of the Population Returns of the year 1811 the number of Families is divided into three Classes, as follows, viz.

1st. Families chiefly employed in Agriculture .....	895,998
2nd. Ditto chiefly employed in Trade, Manufacture and Handicraft ..	1,129,049
3rd. Ditto not comprized in the above .....	519,168
	<u>2,544,215</u>

\* This classification being exclusive of the estimated diminution of chargeable Income under Schedules C. and E. (between £5 and £6 millions) which has taken place since the late Property Tax, a proportionate number of persons should be added to give the full estimated number charged to that Tax:—this addition might extend the number of the classes above £50 to nearly 650,000, and the total number to nearly 900,000.

† The mean Income is less than the probable average total Income of all the Persons within this class, as many of them have other Incomes under Schedules B. and D.

This Summary is exclusive of Persons employed in the Army, Navy, and Seamen in registered vessels, the number of whom is stated at 640,500 ; some addition should be made on this account to the number of Families chargeable ; also for increase of population from 1811 to 1814, the last year of the Property Tax, and (for the purpose of this estimate) for Families resident Abroad, not included in the Population Returns, but who deriving Incomes from Great Britain were chargeable to the Property Tax, making a general Total which may be taken at 3 millions of Families or Persons in possession of Incomes chargeable or exempt from charge.\* From the whole of the computation it may be assumed that much less than 1 million of Families, or Heads of Families, were charged to the Property Tax, and upwards of 2 millions of Families, consisting of the lowest Classes, were not charged to it.

The Census of 1821 shews a great increase of population in the respective Classes.

*Summary of Returns, 1821.*

	Families.
Employed chiefly in Agriculture .....	978,656
Ditto in Trade, Manufactures, Mechanical Employments, &c. ....	1,350,290
In all other Situations .....	612,488
	<hr/> 2,941,434 <hr/>

The increase of the number of Families employed in Trade appears much greater than the increase of the number employed in Agriculture ; the rates of increase are as follows :

Agricultural Classes.....	$\frac{1}{11}$	The number of Persons employed in
Trade .....	$\frac{1}{3}$	the Army, Navy, &c.—
Other Classes .....	$\frac{2}{11}$	In 1811, was.....
	<hr/>	In 1821 .....
		319,300
Average rate of Increase taken	} $\frac{6}{13}$	Difference... 321,220
on the aggregate Number		
of Families.....		<hr/>

though too small to bring their aggregate Income into a chargeable limit, yet the mean Income as a divisor does not probably give an excess in the number of persons among whom the estimated total amount of the very small Incomes attainable for charge under Schedules A. and C. is divided.

\* As the estimate from the Income Tax Account gives the number of *Persons* chargeable, and the Population Summary gives the number of *Families*, and as in many Families there is more than one Person with a chargeable Income, some allowance should be made also on that account.

The rate of increase of the whole Population, computing according to the number of *Persons*, was about one-seventh.\*

Allowing for a proportionate increase of the number of Families or Persons chargeable to an Income Tax, if revived on the plan of the late Tax, the total number might not be less than 1 million; and the number of Persons or Families exempt would be about  $2\frac{1}{2}$  millions.

The Population Returns shew the ages in classes of about five-sixths of the whole number of Persons; the number of males of 20 years of age and upwards rather exceeds 3 millions, adding to which the proportion of one sixth for the number whose ages are not given, the total may be taken at about  $3\frac{1}{2}$  millions. Assuming that all male persons of those ages possess Income of some description and amount (a deduction must be made for a number of absolute Paupers, but the number of Males under the age of 20 and of Females who acquire or possess Incomes of some kind, and which number should be added, may not be very distant from it) the result nearly corresponds with the total number which it is estimated are at this period in possession of Incomes.

Dr. Colquhoun, in his Treatise on the Wealth of the British Empire, divides the Population of the United Kingdom into 7 classes or ranks, amongst whom his estimated total Income of £430 millions is distributed. The two inferior classes comprehend Working Mechanics, Artisans, Laborers, Servants, Paupers, &c. whose Incomes are of the lowest amount; the five superior classes comprehend those Families or Persons the whole of whom may be considered as possessed of Incomes of £50 and upwards.

	Families.
The Number of the 5 highest Classes is .....	858,086
Deducting therefrom the proportion which Dr. C. estimated for Ireland† .....	230,000
Total number of Families with Incomes of £50 and upwards	628,086

This result nearly corresponds with the result of the computation made from the Income Tax Accounts.

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\* The Census of 1831 (published since this Estimate was first printed) shews an increase of  $\frac{1}{3}$  beyond the population of 1811. The Returns as yet published for 1831, do not give the numbers in Classes and under other Heads as given for 1811.

† It would seem by the Census (1821) that the proportion of the Population of Ireland to that of United Kingdom is greater than it formerly was or was reckoned to be—that at present it is nearly one-third. Dr. Colquhoun in forming his aggregate number of Families and Persons of the United Kingdom assumed the proportion at not much more than one-fourth, and therefore the deduction here made is only in that proportion.

*Graduated Scales of Charge.\**

The Rates of Charge in each Class of the following Scales might be supposed to increase gradually from the lowest to the highest Incomes within it, and the gradation could be made more or less minute as the extent of it might require; for this purpose every Class could be subdivided into as many minor Classes, as might be necessary.

The Incomes are arranged in Classes chiefly for the purpose of shewing the limits of the Rates on them respectively; there might in framing the Scales be no classification, but one graduated series of charges under each Scale, commencing with the lowest chargeable Income, and increasing gradually up to that amount of Income with which the maximum Rate would begin. It is necessary that the gradation should be as regular and minute as possible, in order to lessen the inducement to commit evasion, which an irregular or too wide a gradation, in a greater degree, holds out, that is, to return the Income much lower than it should be in order to be charged at a much less rate.

The maximum and minimum Rates of each Class are affixed to it, together with its mean Rate; the latter has been used for computing the produce of the Duty.

## SERIES A.

## 1st Scale.—Schedules A. &amp; C.

Charge.	Estimated Amount of Income.	Rates of Charge.	Mean Rates.	Estimated Gross Charge of Duty.
Under £50	£5,580,000	<i>Nil</i>	..	..
£50 and under 100	11,210,000	to 5 per Ct.	2½	£280,250
100 „ 200	14,530,000	5 to 10 „	7½	1,089,700
200 „ 500	13,240,000	10 to 15 „	12½	1,655,000
500 „ 2,000	19,710,000	15 to 20 „	17½	3,449,250
2,000 and upwards	22,310,000	20 .... „	..	4,462,000
	<u>£86,580,000</u>			<u>£10,936,200</u>

## Schedules B. D. &amp; E.

£50 and under £200	£22,870,000	to 5 per Ct.	2½	£571,750
200 „ 500	11,770,000	5 to 10 „	7½	882,750
500 „ 5,000	27,790,000	10 to 15 „	12½	3,472,750
5,000 and upwards	9,570,000	15 .... „	..	1,435,500
	<u>£72,000,000</u>			<u>£6,362,750</u>

Schedules A. & C. .. 10,936,200

Total .. £17,298,950

\* Vide Observations on these Scales, Second Part, page 231.

## SERIES A: continued.

## 2nd Scale.—Schedules A. &amp; C.

Classes.	Estimated Amount of Income.	Rates of Charge.	Mean Rates.	Estimated Gross Charge of Duty.
Under £100	£16,790,000	to 5 per Ct.	2½	£419,750
£100 and under 150	8,680,000	5 to 10 „	7½	651,600
150 „ 200	5,850,000	10 to 15 „	12½	731,750
200 „ 500	13,240,000	15 to 20 „	17½	2,317,000
500 „ 2,000	19,710,000	20 to 25 „	22½	4,434,750
2,000 and upwards	22,310,000	25 .... „	..	5,557,500
	<u>£86,580,000</u>			<u>£14,112,350</u>

## Schedules B. D. &amp; E.

£50 and under £150	£17,670,000	to 5 per Ct.	2½	£441,750
150 „ 200	5,200,000	5 to 10 „	7½	390,000
200 „ 500	11,770,000	10 to 15 „	12½	1,471,250
500 „ 5,000	27,790,000	15 to 20 „	17½	4,863,250
5,000 and upwards	9,570,000	20 .... „	..	1,914,000
	<u>£72,000,000</u>			<u>£9,080,250</u>

Schedules A. &amp; C. .. 14,112,350

Total .. £23,192,600

## 3rd Scale.—Schedules A. &amp; C.

Under £100	£16,790,000	5 to 10 per Ct.	7½	£1,259,250
£100 and under 150	8,680,000	10 to 15 „	12½	1,085,000
150 „ 200	5,850,000	15 to 20 „	17½	1,033,750
200 „ 500	13,240,000	20 to 25 „	22½	2,979,000
500 „ 2,000	19,710,000	25 to 30 „	27½	5,420,250
2,000 and upwards	22,310,000	30 .... „	..	6,693,000
	<u>£86,580,000</u>			<u>£18,470,250</u>

## Schedules B. D. &amp; E.

£50 and under £100	£9,950,000	to 5 per Ct.	2½	£248,750
100 „ 200	12,920,000	5 to 10 „	7½	969,000
200 „ 500	11,770,000	10 to 15 „	12½	1,471,250
500 „ 1,000	9,150,000	15 to 20 „	17½	1,601,250
1,000 „ 5,000	18,640,000	20 to 25 „	22½	4,194,000
5,000 and upwards ..	9,570,000	35 .... „	..	2,392,500
	<u>£72,000,000</u>			<u>£10,876,750</u>

Schedules A. &amp; C. .. 18,470,250

Total .. £29,347,000



## SERIES A. continued.

## 4th Scale.—Schedules A. &amp; C.

Classes.	Estimated Amount of Income.	Rates of Charge.	Mean Rates.	Estimated Gross Charge of Duty.
Under £50	£5,580,000	5 to 10 per Ct.	7½	£418,500
£50 and under 100	11,210,000	10 to 15 „	12½	1,401,250
100 „ 150	8,680,000	15 to 20 „	17½	1,519,000
150 „ 200	5,850,000	20 to 25 „	22½	1,316,253
200 „ 500	13,240,000	25 to 30 „	27½	3,641,000
500 „ 2,000	19,710,000	30 to 35 „	32½	6,405,750
2,000 and upwards..	22,310,000	35 .... „	..	7,778,500
	<u>£86,580,000</u>			<u>£22,480,250</u>

## Schedules B. D. &amp; E.

£50 and under £100	£9,950,000	to 5 per Ct.	2½	£248,750
100 „ 150	7,720,000	5 to 10 „	7½	579,000
150 „ 200	5,200,000	10 to 15 „	12½	650,000
200 „ 500	11,770,000	15 to 20 „	17½	2,059,750
500 „ 1,000	9,150,000	20 to 25 „	22½	2,058,750
1,000 „ 5,000	18,640,000	25 to 30 „	27½	5,126,000
5,000 and upwards ..	9,570,000	30 .... „	..	2,871,000
	<u>£72,000,000</u>			<u>£13,593,250</u>

Schedules A. &amp; C. .. 22,480,250

Total..£36,073,500

## 5th Scale.—Schedules A. &amp; C.

Under £50	£5,580,000	10 to 15 per Ct.	12½	£697,500
£50 and under 100	11,210,000	15 to 20 „	17½	1,961,750
100 „ 150	8,680,000	20 to 25 „	22½	1,953,000
150 „ 200	5,850,000	25 to 30 „	27½	1,608,750
200 „ 500	13,240,000	30 to 35 „	32½	4,303,000
500 „ 2,000	19,710,000	35 to 40 „	37½	7,391,250
2,000 and upwards ..	22,310,000	40 .... „	..	8,924,000
	<u>£86,580,000</u>			<u>£26,839,250</u>

## SERIES A. continued.

## 5th Scale continued.—Schedules B. D. &amp; E.

Classes.	Estimated Amount of Income	Rates of Charge.	Mean Rates.	Estimated Gross Charge of Duty.
£50 and under £100	£9,950,000	5 to 10 per Ct.	7½	£746,250
100 „ 150	7,720,000	10 to 15 „	12½	966,000
150 „ 200	5,200,000	15 to 20 „	17½	910,000
200 „ 500	11,770,000	20 to 25 „	22½	2,648,250
500 „ 1,000	9,150,000	25 to 30 „	27½	2,516,250
1,000 „ 5,000	18,640,000	30 to 35 „	32½	6,058,000
5,000 and upwards ..	9,570,000	35 .... „	..	3,349,500
	<u>£72,000,000</u>			<u>£17,193,250</u>

Schedules A. &amp; C. .. 26,839,250

Total .. £44,032,500

## 6th Scale.—Schedules A. &amp; C.

Under £50	£5,580,000	10 to 20 per Ct.	15	£837,000
£50 and under 100	11,210,000	20 to 25 „	22½	2,522,250
100 „ 150	8,680,000	25 to 30 „	27½	2,387,000
150 „ 200	5,850,000	30 to 35 „	32½	1,901,000
200 „ 1,000	23,530,000	35 to 40 „	37½	8,823,750
1,000 „ 5,000	20,970,000	40 to 45 „	42½	8,912,500
5,000 and upwards ..	10,760,000	45 .... „	..	4,842,000
	<u>£86,580,000</u>			<u>£30,225,500</u>

## Schedules B. D. &amp; E.

£50 and under £100	£9,950,000	5 to 15 per Ct.	10	£995,000
100 „ 150	7,720,000	15 to 20 „	17½	1,351,000
150 „ 200	5,200,000	20 to 25 „	22½	1,170,000
200 „ 500	11,770,000	25 to 30 „	27½	3,236,700
500 „ 2,000	17,520,000	30 to 35 „	32½	5,694,000
2,000 „ 5,000	10,270,000	35 to 40 „	37½	3,851,200
5,000 and upwards ..	9,570,000	40 .... „	..	3,828,000
	<u>£72,000,000</u>			<u>£20,125,900</u>

Schedules A. &amp; C. .. 30,225,500

Total .. £50,351,400

## APPENDIX.

## SERIES A. continued.

## 7th Scale.—Schedules A. &amp; C.

Classes.	Estimated Amount of Income.	Rates of Charge.	Mean Rates.	Estimated Gross Charge of Duty.
Under £50	£5,580,000	15 to 20 per Ct.	17½	£976,500
£50 and under 100	11,210,000	20 to 30 „	25	2,802,500
100 „ 150	8,680,000	30 to 35 „	32½	2,821,000
150 „ 200	5,850,000	35 to 40 „	37½	2,193,750
200 „ 500	13,240,000	40 to 45 „	42½	5,627,000
500 „ 5,000	31,260,000	45 to 50 „	47½	14,848,500
5,000 and upwards ..	10,760,000	50 .... „	..	5,380,000
	<u>£86,580,000</u>			<u>£34,649,250</u>

## Schedules B. D. &amp; E.

£50 and under £100	£9,950,000	5 to 20 per Ct.	12½	£1,243,700
100 „ 150	7,720,000	20 to 25 „	22½	1,737,000
150 „ 200	5,200,000	25 to 30 „	27½	1,430,000
200 „ 500	11,770,000	30 to 35 „	32½	3,825,200
500 „ 1,000	9,150,000	35 to 40 „	37½	3,431,200
1,000 „ 5,000	18,640,000	40 to 45 „	42½	7,922,000
5,000 and upwards ..	9,570,000	45 .... „	..	4,306,500
	<u>£72,000,000</u>			<u>£23,895,600</u>

Schedules A. &amp; C. .. 34,649,250

Total .. £58,544,850

## SERIES B.

## 1st Scale. Schedules A. &amp; C.

Under £50	£5,580,000	to 5 per Ct.	2½	£139,500
£50 and under 100	11,210,000	5 to 10 „	7½	840,750
100 „ 500	27,770,000	10 to 15 „	12½	3,471,250
500 and upwards ..	42,020,000	15 .... „	..	6,303,000
	<u>£86,580,000</u>			<u>£10,574,500</u>

## Schedules B. D. &amp; E.

£50 and under £200	£22,870,000	to 10 per Ct.	5	£1,143,500
200 „ 2,000	29,290,000	10 „	..	2,929,000
2,000 and upwards ..	19,840,000	12½ „	..	2,480,000
	<u>£72,000,000</u>			<u>£6,552,500</u>

Schedules A. &amp; C. .. 10,754,500

Total .. £17,307,000

## SERIES B. continued.

## 2nd Scale.—Schedules A. &amp; C.

Classes.	Estimated Amount of Income.	Rates of Charge.	Mean Rates.	Estimated Gross Charge of Duty.
Under £50	£5,580,000	5 to 10 per Ct.	7½	£418,500
£50 and under 200	25,740,000	10 to 15 „	12½	3,217,500
200 „ 500	13,240,000	15 to 20 „	17½	2,317,000
500 and upwards..	42,020,000	20 .... „	..	8,404,000
	<u>£86,580,000</u>			<u>£14,357,000</u>

## Schedules B. D. &amp; E.

£50 and under £150	£17,670,000	5 to 10 per Ct.	7½	£1,325,250
150 „ 1,000	26,120,000	10 to 15 „	12½	3,265,000
1,000 and upwards..	28,210,000	15 .... „	..	4,231,500
	<u>£72,000,000</u>			<u>£8,821,750</u>

Schedules A. &amp; C. .. 14,357,000

Total .. £23,178,750

## 3rd Scale.—Schedules A. &amp; C.

Under £100	£16,790,000	10 to 15 per Ct.	12½	£2,098,750
£100 and under 200	14,530,000	15 to 20 „	17½	2,542,750
200 „ 500	13,240,000	20 to 25 „	22½	2,979,000
500 and upwards..	42,020,000	25 .... „	..	10,505,000
	<u>£86,580,000</u>			<u>£18,125,500</u>

## Schedules B. D. &amp; E.

£50 and under £150	£17,670,000	5 to 10 per Ct.	7½	£1,325,200
150 „ 200	5,200,000	10 to 15 „	12½	650,000
200 „ 2,000	29,290,000	15 to 20 „	17½	5,125,700
2,000 and upwards..	19,840,000	20 .... „	..	3,968,000
	<u>£72,000,000</u>			<u>£11,068,900</u>

Schedules A. &amp; C. .. 18,125,500

Total .. £29,194,400

## SERIES B. continued.

## 4th Scale.—Schedules A. &amp; C.

Classes.	Estimated Amount of Income.	Rates of Charge.	Mean Rates.	Estimated Gross Charge of Duty.
Under £50	£5,580,000	10 to 15 per Ct.	12½	£697,500
£50 and under 100	11,210,000	15 to 20 „	17½	1,961,750
100 „ 150	8,680,000	20 to 25 „	22½	1,953,000
150 „ 500	19,090,000	25 to 30 „	27½	5,249,750
500 and upwards..	42,020,000	30 .... „	..	12,606,000
	<u>£86,580,000</u>			<u>£22,468,000</u>

## Schedules B. D. &amp; E.

£50 and under £100	£9,950,000	5 to 10 per Ct.	7½	£746,200
100 „ 150	7,720,000	10 to 15 „	12½	965,000
150 „ 500	16,970,000	15 to 20 „	17½	2,969,700
500 „ 2,000	17,520,000	20 to 25 „	22½	3,942,000
2,000 and upwards..	19,840,000	25 .... „	..	4,960,000
	<u>£72,000,000</u>			<u>£13,582,900</u>

Schedules A. &amp; C. .. 22,468,000

Total .. £36,050,900

## 5th Scale.—Schedules A. &amp; C.

Under £50	£5,580,000	15 to 20 per Ct.	17½	£976,500
£50 and under 100	11,210,000	20 to 25 „	22½	2,522,250
100 „ 200	14,530,000	25 to 30 „	27½	3,995,750
200 „ 500	13,240,000	30 to 35 „	32½	4,303,000
500 and upwards..	42,020,000	35 .... „	..	14,707,000
	<u>£86,580,000</u>			<u>£26,504,500</u>

## Schedules B. D. &amp; E.

£50 and under £100	£9,950,000	5 to 15 per Ct.	10	£995,000
100 „ 200	12,920,000	15 to 25 „	20	2,584,000
200 „ 2,000	29,290,000	25 to 30 „	27½	8,054,700
2,000 and upwards..	19,840,000	30 .... „	..	5,952,000
	<u>£72,000,000</u>			<u>£17,585,700</u>

Schedules A. &amp; C. .. 26,504,500

Total .. £44,090,200

## SERIES B. continued.

## 6th Scale.—Schedules A &amp; C.

Classes.	Estimated Amount of Income.	Rates of Charge.	Mean Rates.	Estimated Gross Charge of Duty.
Under £50	£5,580,000	20 to 25 per Ct.	22½	£1,255,500
£50 and under 100	11,210,000	25 to 30 „	27½	3,082,750
100 „ 200	14,530,000	30 to 35 „	32½	4,722,250
200 „ 500	13,240,000	35 to 40 „	37½	4,965,000
500 and upwards ..	42,020,000	40 .... „	..	16,808,000
	<u>£86,580,000</u>			<u>£30,833,500</u>

## Schedules B. C. &amp; E.

£50 and under £100	£9,950,000	5 to 20 per Ct.	12½	£1,243,700
100 „ 150	7,720,000	20 to 25 „	22½	1,737,000
150 „ 500	16,970,000	25 to 30 „	27½	4,666,700
500 „ 1,000	9,150,000	30 to 35 „	32½	2,973,700
1,000 and upwards ..	28,210,000	35 .... „	..	9,873,500
	<u>£72,000,000</u>			<u>£20,494,600</u>

Schedules A. &amp; C. .. 30,833,500

Total .. £51,328,100

## 7th Scale.—Schedules A. &amp; C.

Under £50	£5,580,000	20 to 30 per Ct.	25	£1,395,000
£50 and under 150	19,890,000	30 to 35 „	32½	6,464,250
150 „ 200	5,850,000	35 to 40 „	37½	2,193,750
200 „ 500	13,240,000	40 to 45 „	42½	5,627,000
500 and upwards ..	42,020,000	45 .... „	..	18,909,000
	<u>£86,580,000</u>			<u>£34,589,000</u>

## Schedules B. D. &amp; E.

£50 and under £100	£9,950,000	5 to 25 per Ct.	15	£1,492,500
100 „ 150	7,720,000	25 to 30 „	27½	2,123,000
150 „ 500	16,970,000	30 to 35 „	32½	5,515,200
500 „ 1,000	9,150,000	35 to 40 „	37½	3,431,200
1,000 and upwards ..	28,210,000	40 .... „	..	11,284,000
	<u>£72,000,000</u>			<u>£23,845,900</u>

Schedules A. &amp; C. .. 34,589,000

Total .. £58,434,900

N. B. Refer to p. 251 for Estimate of the total Net Receipt or Produce of each Scale, after deducting from the Gross Charges of Duty—the Charges of Management, Allowances for Children, &c.

*Comparative Estimate of the total Rent or Annual Value of Lands and Houses in the several Counties of England and in Wales and in Scotland in the Years 1692 and 1814, viz. the first Year of the Land Tax and the last Year of the Property Tax.*

The annual Land Tax Acts for 1797 and previous years, directed that all Personal Estates and all Offices and Pensions should be charged at the rate of 4s. in the pound on the yearly value or amount thereof, and to the end that the entire fixed quota of every County, &c. should be fully raised, that all Lands, Tenements, &c. should be charged, and that they should be rated at an equal pound rate, not fixing the rate specifically, only providing that it should in no instance exceed 4s. in the pound; it is nevertheless conceived that, in fact, Lands and Tenements have ever been the principal, and in most places the sole subject of charge.

The Tax raised on Personal Estates appears to have been of late years, if not from the commencement, very inconsiderable, not much exceeding £5,000, and though the Tax on Offices and Pensions was raised to a large amount in a few Districts in aid of the quotas fixed upon them respectively for some years previous to 1798, when it was separated from and no longer formed part of the fixed quotas then made leviable on Lands and Tenements only and subjected to redemption, it may be supposed that the Tax on Offices, &c. constituted but a very trifling part of the quotas in the earliest years of the Land Tax, so that almost the whole of the quotas at that period, may be assumed to have been raised on Lands, Houses, and the other Properties connected therewith, excepting perhaps in the Metropolis, where the greatest proportion of Public Offices were exercised.

As the enumeration in the Land Tax Act of the several Properties chargeable, viz. Lands, Tenements, Mines, Quarries, Tithes, &c. is the same as is contained in Schedule A. of the late Property Act, the following comparative estimate (p. 58) of the Rental of the years 1692 and 1814 is made from the quotas of Land Tax of the respective Counties as fixed by the Act of the former year, assuming as “£500,000 was by the valuation in 1692 considered equal “to 1s. in the pound of the Rent of Estates of that period,” that the quotas which for that year were at 4s. in the pound give one-fifth of that Rent; at the same time it may be conceived that under the Land Tax Act, as under the Property Act, Lands and Tenements were, from deficient Estimates or Valuations, not charged on the full Rental throughout all parts of the Kingdom, even in the earliest period of it.

As the proportions of the quotas charged on Lands in 1692 are not distinguished from the proportions charged on Houses and other Properties, the Compare cannot be given with that distinction.

By this Compare, it will appear that the Real Property of the whole Kingdom increased in nominal value in the ratio of very nearly 1 to 6 from the

period of the Revolution to the latter end of the late War. By making due allowance for the diminished value of money the increase in real value of the Property will be attained.

It will also appear that the increase of value of Property in the different Counties has been in general in the ratio of their distance from the Metropolis; this result accords with the probability that the Counties nearer to the Metropolis were at the earliest period of the Compare in a state of more improved and more extensive cultivation than the more distant Counties. As all the Counties have been since brought to a more equal state of cultivation, the distant Counties will appear to have received the greatest ratio of improvement.

The Compare of the different parts of the Metropolis itself, *viz.* City of London, City of Westminster, and part of the County of Middlesex, accords also with the probable ratio of improvement in them respectively: the Land Tax quotas for the Metropolis have been principally raised on Houses, the Compare shews that a much greater addition has been made to the number of Houses in Westminster, and a still greater addition to the number in the County of Middlesex than has been made to the number in the City of London.

The ratio of increase has been much greater in Scotland than in any other part of Great Britain, being nearly 28 to 1, and more than quadruple the average ratio of increase in the Kingdom in general. It has been observed "that the quotas given in by the different Counties in 1692, were influenced "by the degree of their loyalty to the new Sovereign of that period," if so, the comparative smallness of the quota of Land Tax of Scotland not amounting to one-fortieth part of that of South Britain, may be partly attributable to that circumstance and not wholly to comparative inferiority of value of Land, &c. The Rental of Scotland in 1814 was nearly one-eighth of the Rental of England and Wales.

There is so much similarity between many of the provisions of the Land Tax Act and those of the late Property Act, that the former has evidently been the basis of the latter; it may then be alleged in favor of the late Property Tax, both as to its principle and plan, that it was in a great degree derived from an ancient mode of Taxation established by an Act which was renewed and sanctioned every year for upwards of a century by Parliament, and which continues in operation, with scarcely any change in its enactments, to the present period.

If the Land Tax Act had been fully and strictly enforced with all its powers for raising the Tax on Personal Estates, *viz.* on Goods, Wares, Merchandize, Estates in ready Money, in Debts, &c. for which purpose the whole of them must have been constantly investigated and valued, it would have been far more obnoxious than the most objectionable part of the late Property Act is alleged to have been.



COUNTIES.	Total Amount of the Quotas of Land Tax in the several Counties.*	Estimated Amount of Rent or Annual Value of Lands and Houses, &c. in 1692.	Amount of Rent or Annual Value of Lands, &c. charged under Schedule A. of the Property Act in 1814.
	£	£	£
Bedford .....	28,555	142,775	364,277
Berks .....	40,844	204,220	719,890
Bucks .....	47,143	235,715	662,872
Cambridge .....	32,695	163,475	705,372
Chester .....	28,599	142,095	1,114,928
Cornwall .....	31,943	159,715	922,259
Cumberland .....	3,714	18,570	737,438
Derby .....	24,094	120,470	883,370
Devon .....	82,563	412,915	1,924,912
Dorset .....	33,080	165,400	726,264
Durham .....	10,598	52,990	885,580
York {	East Riding .....	19,111	95,555
	North „ .....	26,348	131,740
	West „ .....	46,035	230,175
Essex .....	89,397	446,985	1,584,108
Gloucester .....	47,312	236,560	1,315,726
Hereford .....	20,409	102,045	629,156
Hertford .....	42,283	211,415	583,657
Huntingdon .....	15,497	77,485	325,964
Kent .....	82,553	412,765	1,687,443
Lancaster .....	20,990	104,950	3,139,043
Leicester .....	34,685	173,425	951,908
Lincoln .....	71,907	359,535	2,096,611
Monmouth .....	9,812	49,060	298,981
Norfolk .....	84,307	421,535	1,516,651
Northampton .....	47,670	238,350	947,578
Northumberland .....	14,549	72,745	1,291,413
Nottingham .....	27,277	136,385	751,626
Oxford .....	38,722	193,610	790,867
Rutland .....	5,525	27,925	138,216
Salop .....	29,057	145,285	1,083,703
Somerset .....	72,473	362,365	2,308,723
Southampton .....	54,941	274,705	1,240,547
Stafford .....	27,121	135,605	1,200,326
Suffolk .....	73,506	367,530	1,151,305
Surry .....	66,133	330,665	1,589,702
Sussex .....	60,048	300,240	919,350
Warwick .....	39,790	198,950	1,269,757
Westmorland .....	3,045	15,225	299,582
Wilts .....	51,657	258,285	1,215,619
Worcester .....	33,582	167,910	820,021
Middlesex .....	£1,619,500	£8,097,950	£45,555,168
London .....	108,901	544,505	3,383,999
Westminster .....	123,399†	616,995	1,068,775
Wales .....	93,846‡	469,230	1,312,600
Wales .....	43,937	219,685	2,223,969
England and Wales ..	£1,989,673	£9,948,365	£53,644,511
Scotland .....	47,854	239,770	6,652,655
Great Britain .....	£2,037,627	£10,188,135	£60,297,166

\* The separate Quotas fixed by the Land Tax Act for Cities and Towns, being Counties of themselves, are here added to the Quotas of the Counties at large.

† Whatever Public Offices were charged to the Tax in 1692, were, it may be supposed, almost wholly exercised in the Cities of London and Westminster; to whatever amount they were charged, as it is not known, and therefore no deduction is made on account of it, the estimated value of Houses in those Cities for that year is proportionably overrated.

‡ Including £30,754 6s. 3d. for the District of the Palaces of Whitehall and Saint James's, supposed to consist partly, if not principally of Duty charged on Offices exercised therein.

*Account of the Amount of Rent from Land in the different Counties of England, &c. so far as the same is shown by the Property Tax Accounts of the Year 1814; of the average Rent per Acre in each County; also of the Amount of Rent of Land Tithe-free, with a view to deduce therefrom the probable effect on the amount of Rent of the exemption from Tithes.*

COUNTIES.	Amount of Annual Rent or Value of Lands.	Estimated Number of Acres cultivated.*	Average Rent per Acre.			Amount of Annual Value of Lands Tithe-free.†
	£		£	s.	d.	£
Bedford .....	316,595	198,700	1	11	10 $\frac{1}{2}$	214,871
Berks .....	502,086	398,977	1	5	2	125,554
Bucks .....	548,630	512,400	1	1	4 $\frac{1}{2}$	364,255
Cambridge .....	541,325	258,000	2	1	11 $\frac{1}{2}$	131,029
Chester .....	805,141	616,000	1	6	1 $\frac{1}{2}$	20,561
Cornwall .....	629,259	252,829	2	9	9 $\frac{1}{2}$	2,481
Cumberland .....	561,468	478,240	1	3	5 $\frac{1}{2}$	99,737
Derby .....	707,250	481,148	1	9	4 $\frac{1}{2}$	258,417
Devon .....	1,360,812	1,280,000	1	1	3	40,409
Dorset .....	564,377	689,000	0	16	4 $\frac{1}{2}$	60,961
Durham .....	543,411	480,000	1	2	7 $\frac{1}{2}$	60,702
York .....	3,563,980	2,596,426	1	7	5 $\frac{1}{2}$	1,840,338
Essex .....	1,109,829	1,212,307	0	18	3 $\frac{1}{2}$	78,869
Gloucester .....	971,410	771,500	1	5	2	333,318
Hereford .....	524,781	761,440	0	13	9 $\frac{1}{2}$	14,203
Hertford .....	397,539	446,500	0	17	9 $\frac{1}{2}$	93,597
Huntingdon .....	277,463	189,300	1	9	3 $\frac{1}{2}$	208,328
Kent .....	961,368	819,780	1	3	5 $\frac{1}{2}$	13,942
Lancaster .....	1,463,183	1,021,100	1	8	7 $\frac{1}{2}$	100,346
Leicester .....	807,558	540,000	1	9	10 $\frac{1}{2}$	566,661
Lincoln .....	1,865,086	1,693,120	1	2	0 $\frac{1}{2}$	1,202,960
Monmouth .....	231,113	284,480	0	16	2 $\frac{1}{2}$	33,249
Norfolk .....	1,102,352	951,054	1	3	2	123,777
Northampton .....	846,171	505,000	1	13	6	724,787
Northumberland .....	999,951	817,200	1	4	5 $\frac{1}{2}$	311,433
Nottingham .....	604,220	412,120	1	9	3 $\frac{1}{2}$	388,864
Oxford .....	589,594	411,920	1	8	1 $\frac{1}{2}$	359,891
Rutland .....	123,296	55,000	2	4	10	73,127
Salop .....	823,845	758,388	1	1	8 $\frac{1}{2}$	97,449
Somerset .....	1,491,734	900,000	1	13	1 $\frac{1}{2}$	96,064
Southampton .....	707,127	1,023,350	0	13	9 $\frac{1}{2}$	30,580
Stafford .....	862,973	639,040	1	7	0	218,516
Suffolk .....	826,228	700,000	1	3	7 $\frac{1}{2}$	66,418
Surry .....	437,958	385,947	1	2	8 $\frac{1}{2}$	44,948
Sussex .....	641,736	843,360	0	15	2 $\frac{1}{2}$	41,451
Warwick .....	838,993	498,000	1	13	8 $\frac{1}{2}$	396,863
Westmorland .....	260,945	125,040	1	18	7 $\frac{1}{2}$	69,417
Wilts .....	964,611	678,000	1	8	5 $\frac{1}{2}$	233,785
Worcester .....	609,746	525,000	1	3	2 $\frac{1}{2}$	208,008
Middlesex .....	£31,985,154	26,219,666	£1	4	4 $\frac{1}{2}$	£9,349,146
London .....	517,669	204,520	2	10	7 $\frac{1}{2}$	95,442
Westminster .....						
Wales .....	£1,827,638	3,695,693	0	9	10 $\frac{1}{2}$	14,095
England & Wales ..	£34,330,461	30,120,079	£1	2	9 $\frac{1}{2}$	£9,458,683
Scotland .....	£5,075,242	5,043,450	1	0	1 $\frac{1}{2}$	5,075,242
Great Britain .....	£39,405,703	35,163,529	£1	2	4 $\frac{1}{2}$	£14,533,925

\* The number of Acres is taken from an Estimate made up some years since by the Board of Agriculture, it was then supposed to underrate the numbers generally. The rate of deficiency, if any, of the number of Acres may however be supposed not to exceed the rate of deficiency in the amount of the Rent or Annual Value of Lands brought into charge, and the average Rent per Acre appearing in the compare is therefore (and for reasons before offered p. 1, App.) considered as less than the actual average Rent per Acre at the latter period of the Property Act; the averages of the several Counties taking them comparatively, may however be accurately shewn by the Compare.

† Exemption from Tithes being regarded as one of the causes of comparatively high Rents, the amount of the annual Rental of Lands Tithe-free is added to the compare for the purpose of observing any effect of it on the average Rent per Acre in those Counties where the Lands are most free from Tithes; but it is to be observed that other causes affecting the Rents may so far predominate, that the precise effect of exemption from Tithes may not in all cases be discernible.

*Comparative View of the Income and Population of the different Counties of same is shown by the Property Tax Accounts, of the Year 1814; also the Number and Manufacture, and all other Families, taken from the Population Returns of*

COUNTIES.	Amount of Rent & Profits derived from Lands only charged under Schedules A. & B.	Amount of Rents of Houses and other Profits charged under Schedule A.	Amount of Profits of Commerce, Manufacture, Trade, &c. charged under Schedule D.	Total Amount of the three preceding Columns.
	£	£	£	£
Bedford .....	545,365	47,682	94,797	687,844
Berks .....	879,406	217,794	299,704	1,396,904
Bucks .....	960,750	114,242	222,982	1,297,974
Cambridge .....	950,895	164,047	239,687	1,354,129
Chester .....	1,410,151	309,787	289,309	2,009,247
Cornwall .....	1,096,049	293,000	230,112	1,619,161
Cumberland .....	981,938	175,970	179,753	1,337,661
Derby .....	1,244,680	176,120	210,583	1,631,383
Devon .....	2,374,252	564,100	757,444	3,695,796
Dorset .....	988,407	161,887	241,634	1,391,928
Durham .....	986,831	342,169	253,631	1,582,631
York .....	6,226,960	1,196,445	1,719,886	9,143,291
Essex .....	1,944,369	474,279	603,935	3,022,583
Gloucester .....	1,698,100	344,316	367,243	2,409,659
Hereford .....	921,461	104,375	61,851	1,087,687
Hertford .....	695,669	186,118	262,989	1,144,776
Huntingdon .....	486,113	48,501	108,401	643,015
Kent .....	1,679,418	726,075	1,626,229	4,031,722
Lancaster .....	2,551,033	1,675,860	2,292,080	6,518,973
Leicester .....	1,415,278	144,350	319,608	1,879,236
Lincoln .....	3,245,796	231,526	373,672	3,850,993
Monmouth .....	898,963	67,868	102,571	1,069,402
Norfolk .....	1,921,762	414,299	523,011	2,859,072
Northampton .....	1,483,481	101,407	185,204	1,770,092
Northumberland ..	1,671,671	291,462	436,404	2,399,537
Nottingham .....	1,049,650	147,406	314,501	1,511,557
Oxford .....	1,032,074	201,273	312,809	1,546,156
Rutland .....	215,966	14,920	30,939	261,765
Salop .....	1,439,935	259,857	279,933	1,979,725
Somerset .....	2,611,224	816,989	1,329,266	4,757,479
Southampton .....	1,241,317	533,420	923,714	2,698,451
Stafford .....	1,510,753	337,352	516,720	2,364,825
Suffolk .....	1,444,338	325,077	453,485	2,222,900
Surry .....	768,318	1,151,744	1,564,533	3,484,595
Sussex .....	1,107,196	277,614	372,059	1,756,869
Warwick .....	1,464,433	430,764	669,370	2,564,567
Westmorland .....	455,185	38,637	52,575	546,397
Wilts .....	1,680,201	251,008	376,071	2,307,280
Worcester .....	1,067,476	210,275	272,303	1,551,054
Middlesex .....	£55,846,304	£13,570,014	£19,471,998	£88,888,316
London .....	814,958	2,868,961	4,117,539	21,922,709
Westminster .....	„	1,068,775	8,397,500	
Wales .....	4,801	1,309,969	2,740,206	
England & Wales ..	£59,872,611	£19,314,050	£35,028,051	£114,214,712
Scotland .....	7,245,582	1,577,413	2,744,796	11,567,791
Great Britain ..	£67,118,193	£20,891,463	£37,772,847	£125,782,503

If the amount of Wages and of all other Incomes or parts of Incomes exempted or distinguished in Counties, the *proportions* of the Income of the several Counties, &c.

† A large proportion of these other Families must be Fundholders and Public Servants and Trade Income of each County in proportion to its amount, leaving still the *propor-*

*England, &c. distinguishing Agricultural Income from Trade Income, so far as the of Families chiefly employed in Agriculture, the Number chiefly employed in Trade 1821. Also each County's proportion of the total Income and of the total Population.*

COUNTIES.	Number of Families chiefly employed in Agriculture	Number of Families chiefly employed in Trade and Manufacture	Number of all other Families. †	Total Number of Families.	Proportion of Total Income.	Proportion of Total Number of Families.
Bedford .....	10,754	4,827	1,792	17,373	182nd part	169th part
Berks .....	14,769	8,773	4,158	27,700	90th "	106th "
Bucks .....	16,640	8,318	3,909	28,867	96th "	101st "
Cambridge .....	15,536	6,964	3,103	25,603	92nd "	114th "
Chester .....	18,120	27,105	6,799	52,024	62nd "	56th "
Cornwall .....	19,302	15,543	16,357	51,202	77th "	57th "
Cumberland .....	11,297	13,146	7,361	31,804	94th "	92nd "
Derby .....	14,582	20,506	7,317	42,404	77th "	69th "
Devon .....	37,037	33,985	19,692	90,714	34th "	32nd "
Dorset .....	14,821	10,811	4,680	30,312	90th "	97th "
Durham .....	9,427	20,212	16,301	45,940	79th "	64th "
York .....	63,630	137,048	39,818	240,696	13th "	12th "
Essex .....	33,206	17,160	9,263	59,629	41st "	49th "
Gloucester .....	23,170	35,907	13,079	72,156	52nd "	40th "
Hereford .....	13,558	5,633	2,726	21,917	115th "	134th "
Hertford .....	13,485	7,935	4,750	26,170	109th "	112th "
Huntingdon .....	6,435	2,937	1,025	10,397	194th "	282nd "
Kent .....	30,969	30,180	24,800	85,930	31st "	34th "
Lancaster .....	22,723	152,271	28,179	203,173	19th "	14th "
Leicester .....	13,028	20,297	3,481	36,806	66th "	79th "
Lincoln .....	34,900	15,845	8,015	58,760	32nd "	50th "
Monmouth .....	6,920	6,147	1,955	14,122	230th "	208th "
Norfolk .....	36,368	26,201	11,928	74,497	43rd "	39th "
Northampton .....	18,974	11,695	4,883	35,552	70th "	82nd "
Northumberland .....	11,567	20,565	10,996	43,128	52nd "	68th "
Nottingham .....	13,664	21,832	3,107	38,603	83rd "	76th "
Oxford .....	15,966	8,971	3,905	28,841	81st "	101st "
Ratland .....	2,410	1,034	492	3,936	480th "	747th "
Salop .....	18,414	17,485	5,737	41,636	63rd "	70th "
Somerset .....	31,448	27,132	14,957	73,537	26th "	39th "
Southampton .....	24,303	19,810	13,829	57,942	46th "	50th "
Stafford .....	18,285	42,435	8,060	68,780	53rd "	42nd "
Suffolk .....	30,795	17,418	6,851	55,064	56th "	53rd "
Surry .....	14,944	46,811	27,051	88,806	26th "	33rd "
Sussex .....	21,920	15,463	6,182	43,565	71st "	67th "
Warwick .....	16,779	39,189	4,155	60,123	49th "	48th "
Westmorland .....	5,096	3,801	1,541	10,438	230th "	281st "
Wilts .....	24,972	16,982	5,730	47,684	54th "	61st "
Worcester .....	14,926	18,566	5,514	39,006	81st "	75th "
Middlesex .....	764,339	956,939	363,568	2,084,846	$\frac{5}{7}$	$\frac{1}{16}$
London .....	9,393	161,356	91,122	261,871	$\frac{1}{8}$	$\frac{1}{11}$
Westminster .....	74,225	41,680	30,801	146,706	$\frac{3}{11}$	$\frac{2}{10}$
Wales .....						
England & Wales ..	847,957	1,159,975	485,491	2,493,423	$\frac{1}{10}$	$\frac{5}{8}$
Scotland .....	130,699	190,264	126,997	447,960	$\frac{1}{11}$	$\frac{1}{8}$
Great Britain ....	978,656	1,350,239	612,488	2,941,383	"	"

not attained for charge under Schednies A. B. and D. were added to the Compare and might not appear materially altered.

whose Income derived from Taxation may be supposed to be paid out of the Agricultural tions of Income of the several Counties the same as they appear in the Compare.

*Exemplification, in the case of the Malt Tax, of the vexatious and injurious Effects in the Process of Trade or Manufacture of the Procedure of some of the Taxes on Commodities.*

[Referred to in the Observations "On the Procedure of Taxation," p. 28, First Part of this Work.]

"It is a fact that notwithstanding the vast increase of population, the more general diffusion of wealth and the growing demand for most other articles of comfort and luxury during the present century, the demand for Malt Liquor has remained about stationary since 1800! The circumstances which have led to so extraordinary a result ought to excite the attention of every one who feels any interest in the prosperity of Agriculture, or in the well being of the Laboring Classes. And if it should be found that this state of things has been brought about, not by the poverty of the mass of the people, or by any preference on their part of English Gin to their old and favorite beverage, but by the oppressive Taxes that have been laid upon it, and the still more oppressive regulations under which it is supplied to them, will any one pretend to say, that a system productive of such consequences—a system fatal alike to Agriculture, to the Revenue, and to the health, morals and comforts of the great mass of the people, ought not immediately to undergo a thorough reform?

"We beg to call the attention of our readers to the Table which we have extracted from the Official Returns printed by order of the House of Commons, being an account of the Total Quantity of Malt in England and Wales in each Year, from 1787 to 1828 both inclusive, the Rates of Duty and the Total amount of the Duty.

"This Table shews, conclusively, that the consumption of Malt has been substantially stationary for about forty years! But it is evident that had there not been some very powerful counteracting causes, this singular result could not have taken place. The Population of England and Wales, which according to the Parliamentary Returns amounted to about 9,100,000 in 1801, had increased to about 12,100,000 in 1821; and it must, supposing the previous rate of increase to have continued, have amounted to about 13,300,000 in 1827; being an addition of 4,200,000 persons, or of 46 per Cent. to the population existing in 1801. The quantity of Malt manufactured in 1800 and 1801, was, owing to the scarcity of those years, considerably below an average; but the consumption of 1802 and 1803 amounts at a medium to very near 3,400,000 quarters or 30,400,000 bushels, being at an average a supply of *three bushels and twenty-one pints* to each person. Now it is plain that had the consumption not fallen off, the quantity of Malt consumed in the year ending the 5th of January 1828 ought to have amounted to 5,553,000 quarters or 44,424,000 bushels, whereas it only amounted to 3,137,000 quarters or 25,096,000 bushels yielding at an average considerably less than *two bushels* to each individual of the population, or more than *one bushel and twenty-one pints* less than the quantity falling to the share of each in 1802.

"It would be vain to attempt to lay any thing like a detailed history of the Malt Acts before our readers. There were very recently about forty of them in existence; and their enactments were so contradictory and vexatious, that the manufacturer could not advance a step without subjecting himself to penalties and prosecutions which no sagacity could either foresee or avoid. Every successive increase of Duty having proportionably increased the temptation to its evasion, new devices

" were resorted to in order to defeat the efforts of the Smuggler. Nor, had those checks been properly devised, should we have objected to them. We do not consider the imposition of a Tax on Malt as improper; nor are we sure that it can be justly objected to as being too high. But in devising checks for the prevention of smuggling, the framers of the Malt Acts have gone far wholly to destroy the manufacture. They have multiplied regulations, prohibitions and penalties, until they have entangled the honest as well as the fraudulent trader in an inextricable labyrinth.

" But it will be said, that whatever might have been the case formerly, these remarks are now inapplicable—that the Malt Acts have been consolidated—and that all the objections that might have been made to their multiplication have fallen to the ground. In point of fact, however, it is by courtesy only that the Act of the 7th and 8th George IV. cap. 52, can be called a consolidated Act. It enacts afresh every one of the vexatious restrictions contained in the former Acts, and several new ones besides. The following statements will shew that we are not exaggerating its defects.

" Malting is in itself, a very simple process. It consists in wetting the barley, till it begins to sprout, and then checking the vegetation process suddenly by the heat. This produces a saccharine substance in the grain which is the essence of Malt.

" Before any person can commence business as a Maltster he must take out a licence, renewable annually. But the mere possession of a licence does not authorize him to take a single step in the way of his business. Before attempting to construct, use or alter cisterns, frames, kilns, or utensils of any sort, he must give a written notice to the next Exciseman. Neither is it enough that this functionary should be privy to his plans. The form and fashion of all the principal implements which the manufacturer may have to make use of is fixed by statute. Though he were to discover that he might either expedite his business or improve the quality of his malt by making an alteration in his machinery, he is prohibited from doing so. The law has prescribed the sort of implements the manufacturer shall use, and however ill contrived, clumsy or costly, he dares not change or amend them. We could easily excuse the regulations about cisterns and so forth, were the manufacturer allowed to use them, when once constructed, as he may think proper. But the Maltster can do nothing without giving twenty-four hours previous notice to the Excise. And it is fixed (7th and 8th Geo. IV. §. 21) that no grain shall be put into the cistern except between the hours of 8 o'clock a.m. and 2 o'clock p.m., though it may be taken out of the cistern any time between 7 a.m. and 4 p.m.!

" The Maltster must cover his barley with water 40 hours, and not more than 55 hours, or forfeit a penalty of £100; or else he must, before wetting, intimate to the officer that he intends to immerse the grain 65 hours; but should he afterwards on observing the effect of the wetting, think it expedient to draw off the water a little sooner, it is not in his power—it being specially enacted that grain put into a cistern under the notice in question, shall continue to be covered with water for and until the expiration of the 65 hours as aforesaid; and any Maltster who should, in order to save his grain from being spoiled, take it out before the specified time, is for every such offence to forfeit and lose the sum of £100 (§. 24).

" A Maltster is entitled to change the water upon his grain; but he must previously intimate his intention to the officer, specifying the hour when he intends to draw off the water, taking care that it shall be between 8 o'clock a.m. and 2 p.m.; on con-

"dition however that the grain be again completely covered with water within an hour from the period when it was begun to be drawn off.

"If the Exciseman imagine that the grain is closer in the cistern than it ought to be (for even the degree of its density is fixed by statute), he may measure it, and if he report that there is an increase of  $\frac{1}{16}$  part over the statutory allowance, the Maltster shall for every such offence forfeit £100 (§. 33).

"It is ordered (§. 29) that if any Maltster shall use more than one cistern, 'he shall empty or take all such corn or grain from and out of all such cisterns, *at one and the same time.*' If he should neglect this rule, and empty one cistern before he begins emptying another, he will be visited by the penalty of £200. When one cistern, or a number of cisterns have been emptied, no more cisterns can be emptied in the same place, until after a period of 4 days or 96 hours have elapsed. This regulation is also enforced under a penalty of £200.

"The grain being at length got out of the cistern, must be deposited in *couch frames*, in a particular way, and must remain in them for a certain fixed period; and it is enacted, that if the malt when laid in the couch frames shall be any way more than 30 inches deep, a penalty of £100 shall be inflicted (§. 32). If the malt require *sprinkling*, which is the case with six-sevenths of all that is made in England, it must not be done until the grain has been 288 hours from the cistern. In addition to all this, every Maltster is bound, under a penalty of £200, to keep a barley book, accessible at all times to the Excise Officer, containing entries of all the barley he buys, the name, surname and residence of those from whom he bought it; and containing also a detailed statement of all the malt he makes, the names and addresses of the individuals to whom it has been sold, the quantities disposed of to each, with a notification of the *hour* as well as the day when each transaction took place (§. 47, &c.)

"Formerly no officer could enter a Maltster's premises but on request, and, if in the night, in the presence of a constable, any obstruction being visited with a penalty of £26. But now an officer may enter by night or by day, as the case may be, any obstruction being visited with a penalty of £200.

"If any one will glance, however cursorily, over the statute of 7 and 8 of George IV. cap. 52, he will find some scores of enactments, quite as vexatious and oppressive as any of those now specified. It contains in all 106 penalties, amounting altogether to the sum of £13,500! The trade is, in fact, from the impossibility of complying with the regulations, entirely at the mercy of the Officers.

"We have already alluded to the process termed *sprinkling*, and to the regulation that it shall not take place till the grain has been 12 days, or 288 hours, out of the cistern. But according to the opinion of the most experienced Maltsters, this process ought generally to take place upon the 8th or 9th day. They affirm that the effect of the prolongation is not only the loss of interest on the capital employed, but great injury to the quality of the malt. They state, that about the 8th or 9th day a mould is frequently generated, and that, when this occurs before sprinkling, the malt becomes dead, and loses its spirited quality. This was the view of the matter taken by the Committee of the House of Commons on the Malt Duties in 1808. They state that 'the regulations of the 49 George III. cap. 48, *increase the expense of making sprinkled malt one-fourth*; that a limitation against sprinkling till after the 7th day in winter, and the 5th in summer, would equally prevent fraud, and would, at the same time, afford great relief to the Maltsters of the greatest part of England.' The Legislature has however thought proper, notwithstanding

“ the representations of the Trade and the Committee, to persevere in the system thus  
“ universally condemned.

“ But the question, as to sprinkling, becomes of infinitely greater importance when  
“ viewed in connexion with the Act 7 and 8 George IV. cap. 52. The sprinkling occa-  
“ sions the malt to swell or increase in bulk; the increase, or outcast, as it is techni-  
“ cally termed, varying with the varying quantity of the grain, but being always in  
“ proportion to the latent saccharine matter. The outcast in the Shropshire and Staf-  
“ fordshire barley is estimated at one-tenth; in some parts of Yorkshire and Derbyshire  
“ it is estimated at one-twelfth; in Dorsetshire it is supposed to be about one-fifteenth;  
“ differing in different places according to the endless differences in the barley. But  
“ though sprinkling be required in the preparation of by far the largest portion of the  
“ malt used in England, still it is not required, and is seldom or never practised in malt-  
“ ing the fine barley raised in Norfolk, Hertfordshire, and part of Wilts, amounting to  
“ about a tenth part of the malt manufactured in England.

“ However oppressive and vexatious in other respects, the duty under the old malt  
“ Acts was levied upon the barley wetted in the cistern, as was, perhaps, as near an  
“ ad valorem duty as the case would admit of. But the statute of the 7 George IV. has  
“ put an end to this practice; and the duty is now levied upon the finished malt, or upon  
“ the malt after it has been sprinkled. Had it been necessary to sprinkle all grain,  
“ this change would have been of less importance; but as the finer kinds of barley do  
“ not require to undergo this process, the effect of the change is plainly to add to the  
“ duties laid on the inferior species proportionally to their outcast. A bushel of Herts  
“ or Norfolk malt made without sprinkling or increase, yields more saccharine matter  
“ than a bushel of Yorkshire, or other barley, expanded by this necessary operation,  
“ into a bushel and one-tenth of malt. So well is this known in the trade, that *ceteris*  
“ *paribus*, all sprinkled malt diminishes in value according to the increase of its bulk,  
“ though without this increase its value would be still less, as the saccharine principle  
“ would not be sufficiently evolved. Even under the old Acts the inferior sorts of bar-  
“ ley paid a higher duty in proportion to their value than the superior sorts; but under  
“ the late Act, the duty being levied on the inferior species after their volume is in-  
“ creased by sprinkling, the excess of duty affecting them has been trebled.

“ The regulations thus briefly described, may, to state their operations in a few  
“ words, be said to have, at one and the same time, the effect of unnecessarily fettering  
“ the operations of the Maltster, of deteriorating the quality, and adding to the price, of  
“ his malt, and of putting him wholly in the power of the Officer of the Excise. The  
“ consequence of such a state of things is, that many most respectable persons, and  
“ much capital, have been driven from the trade; that fraud and corruption pervade  
“ all its departments; and that the business of malting is infected with all those abuses  
“ which inevitably beset every business conducted on fictitious and contradictory  
“ principles.”



*Extracts from Reports of Speeches in the House of Commons, March 25, 1830, on a Motion of W. P. THOMPSON, Esq. M. P. for a Select Committee to inquire into the Expediency of making a Revision of the Taxes.*

W. P. THOMPSON, Esq. (now Vice-president of the Board of Trade.)

"Revenue did not, according to the judgment of sound observers, depend on the amount of what passed actually into the Exchequer, but entirely of the manner, both in regulation and in quantity, in which that revenue was drawn from the pockets of the people. Such were the opinions of eminent philosophers in this and other countries. Of Frenchmen he could quote Vauban, Sully, Turgot, and others, who pointed out the suffering which the people had endured from misplaced taxation. Sully said that in one impost to pay 30,000,000 of francs into the Exchequer, 120,000,000 were actually taken from the people. Turgot, in referring to the expence of certain road-works, to realize 10,000,000 (francs) for the Exchequer, 40,000,000 was the actual cost to the public. Eminent authors, when looking to the declining state of Spain, dated it from the imposition of the alcavala. Turning to English authorities,—the Hon. Member quoted Adam Smith, to shew the only true principles upon which taxation ought to proceed,—they had on record the opinions of eminent men upon the general principles which ought to govern taxation. Keeping them in view, he proposed to see how far they applied to any portion of the Taxes which the people of this country were now called upon to pay, and so applying whether it was proper they should be continued to their present extent. \* \* \* He should trouble the House with a detail of Taxes upon such articles as he considered in the light of the raw material, which pressed hard upon the industry of the country—many of them unfit to be the objects of Taxation, and others exposed to such obnoxious and harassing and expensive regulations as made them, in a national point of view, not worth the trouble and expence of collecting. \* \* \* He could not conceive how any Hon. Members could meet their Constituents who were daily sending up complaints of the severity of Taxation, and calling for some alteration in the mode of collecting it, if they refused to enter into an inquiry, out of which no harm could, and from which some good might, arise. On the one hand, if they granted this inquiry, they would shew to the people, that they were anxious to remove their distress by affording them the articles most necessary to their subsistence and comfort at a cheap rate,—to the country, that they were anxious to meet the claims of the national creditor, and to preserve inviolate the public faith,—and to the world, that as a legislative body they were anxious to relieve those they governed, and to introduce a more improved system of finance to meet the necessities of their situation. On the other hand, if they refused this inquiry, they could only do so under the notion that Parliament was incompetent to conduct it; and by such conduct they would abandon the most important portion of their rights, and would send the people discontented and dissatisfied away."

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Lord Viscount ALTHORP, M. P. (now Chancellor of the Exchequer.)

"Much had been said about a Property Tax, and he believed that on that point he differed considerably from his friends about him. Still he had no hesitation in saying, that, to grant relief to the productive population by a reduction of Taxes, and to

"in use a Property Tax to meet the deficiency thus occasioned, would be a very good measure. (*Hear, hear.*) That was his own individual opinion. It might be alleged that he was inconsistent in what he now said, when his present was contrasted with his former opinion: and, perhaps, it might seem to many that he was so. But the country was now in a situation very different from that in which it was formerly placed; and he would say to the Land Owner, that if a Property Tax of 10 per Cent. were imposed, he would be the gainer: because he thought that the Land Owner, in consequence of the existing distress, and the large sums which he was obliged to advance for the maintenance of the poor, lost considerably more than 10 per Cent. on his Rents. He was perfectly convinced, that it was the ill arranged state of the Taxes, more than the amount of the Taxes, that pressed heavily on the country."

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*Extract from a late Publication "On Financial Reform,"\**

"By prescribing the processes of fabrication, the Manufacturer is not allowed to manage his trade in the way his skill and experience point out as the best; but he is compelled to conform to such methods of pursuing his art as he finds taught in Acts of Parliament. Thus the unseen injury arising from excise taxation, by its interference with the free course of manufacture, is much greater than is suspected by the public. The consequence of the activity and invention of the manufacturer being repressed is, that the consumers of their goods pay increased prices, not only for the duties imposed on them, but for the additional expence incurred by absurd and vexatious regulations; and, in addition to this, goods are generally very inferior in quality to what they would be if no duties existed.

"As an Income Tax would chiefly fall on Rent, Tithes, Interest Money, and Dividends, the large revenue which it would yield from the moment it was imposed, would not be accompanied by any shock to industry; it would produce no interruption to the usual operations of manufactures and trade; it would not diminish the amount of capital employed on them, nor of the wages paid to the workmen; nor would it have any influence in raising the prices of goods; and consequently it could have none in diminishing the market for them."†

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\* By Sir Henry Parnell, Bart. M. P., Chairman of the Select Committee on Public Income, &c. 1829, and late Secretary at War.

† Other appropriate Extracts from the above Publication, strongly recommendatory of the adoption of an Income Tax, are inserted in pages 108 and 119 of this Work, as indicating the strong prevalence of Opinion in favor of that particular mode of "Financial Reform."

*Statement of the Number and Amount of the present Duties and Taxes.*

The Numbers of Articles or Heads of present Taxation as given in the Public Accounts made up to 5th January 1832, in the different Revenue Departments, are as follows :—

Customs (enumerated) . 165	Stamps . . . . 22	Post . . . . . 1
Excise . . . . . 19	Taxes . . . . 14	Other branches . . 4
Total . . . . . 225		

A great variety of unenumerated Articles of Customs are included under the head of “all other Merchandize,” the total amount only of which is distinguished in the Public Accounts, and is stated in the following Extract from them.

*The Articles or Heads on each of which the Net Receipt of Duty exceeds £10,000, are as follows :—*

**CUSTOMS.**

	£		£
Almonds . . . . .	17,135	Lemons and Oranges . . . . .	63,831
Apples not dried . . . . .	10,620	Linens, Foreign . . . . .	21,697
Barilla and Alkali . . . . .	16,999	Liquorice . . . . .	21,941
Bark, Oak and Cork Tree . . . . .	26,992	Madder . . . . .	18,582
Bristles . . . . .	26,415	Molasses . . . . .	156,577
Butter . . . . .	121,256	Nutmegs . . . . .	18,846
Cheese . . . . .	68,224	Nuts . . . . .	15,597
Cocoa . . . . .	12,700	Oil . . . . .	100,316
Coffee . . . . .	559,432	Pepper . . . . .	93,372
Cork . . . . .	16,284	Platting of Chip or Straw . . . . .	13,316
Corn, Grain, &c. &c. . . . .	541,158	Prunes . . . . .	10,328
Currants . . . . .	328,131	Rasins . . . . .	168,384
Dye and Hardwoods . . . . .	62,424	Rice . . . . .	30,325
Eggs . . . . .	20,372	Seeds . . . . .	148,935
Figs . . . . .	21,492	Silk . . . . .	213,847
Furs . . . . .	28,468	Skins . . . . .	18,548
Glass . . . . .	15,817	Spelter . . . . .	10,129
Gum . . . . .	20,619	Spirits . . . . .	3,041,655
Hats of Chip, &c. . . . .	26,523	Sugar . . . . .	4,219,049
Hemp . . . . .	105,176	Tallow . . . . .	137,866
Hides . . . . .	33,365	Timber . . . . .	1,189,379
Indigo . . . . .	31,686	Tobacco and Snuff . . . . .	2,333,841
Iron . . . . .	20,463	Turpentine . . . . .	65,229
Leather Gloves . . . . .	21,848	Wax (Bees) . . . . .	10,261

Customs continued—	£
Wines.....	1,356,208
Wool, Cotton.....	472,776
Woollen Manufactures.....	11,031
Coal and Culm exported.....	52,928
Per Centage Duty on Exports..	57,855
Coal and Culm Coastwise....	64,380
Canal and Dock Duty.....	49,863
Duties Collected in Isle of Man	21,861
Remittances from the Planta-	
tions, &c. ....	13,277
Articles enumerated but less	
than £10,000 each in Amount,	
including Fines and Forfei-	
tures.....	348,898
All other Merchandize.....	85,646
<b>Total Net Receipt....</b>	<b>£16,810,173</b>

## EXCISE.

	£
Auctions.....	218,216
Bricks and Tiles.....	365,237
Candles*.....	470,659
Glass.....	516,375
Hops.....	148,594
Licences.....	793,890
Malt.....	4,136,857
Paper.....	656,943
Printed Goods.....	58,969
Soap.....	1,136,962
Spirits British.....	3,413,432
Starch.....	78,805
Tea.....	3,344,913
Vinegar.....	18,905
Articles enumerated but less	
than £10,000 each in Amount	5,321
	<b>£15,355,378</b>
Payments exceeding Receipts..	190,855
	<b>£15,164,523</b>
Law Costs recovered and Fines }	
and Forfeitures..... }	64,740
<b>Total Net Receipt....</b>	<b>£15,229,263</b>

## STAMPS.

	£
Deeds.....	1,388,319
Probates of Wills.....	803,494
Bills of Exchange.....	466,095
Bankers' Notes.....	34,206
Compositions for Duties in Bills	
and Notes.....	75,263

\* Repealed from 5th January, 1832.

Stamps continued—	£
Receipts.....	200,426
Marine Insurances.....	220,394
Licences and Certificates.....	154,148
Newspapers.....	451,657
Almanacks.....	28,036
Medicines.....	34,638
Legacies.....	1,138,468
Fire Insurances.....	762,221
Gold and Silver Plate.....	74,288
Cards.....	14,400
Advertisements.....	156,998
Stage Coaches.....	423,480
Post Horses.....	231,864
Articles enumerated but less	
than £10,000 each in Amount	6,998
<b>Total Net Receipt....</b>	<b>£6,664,295</b>

## TAXES.

	£
Land Tax.....	1,161,313

## ASSESSED TAXES.

	£
Windows.....	1,178,344
Inhabited House Rent.....	1,357,041
Servants (Domestic and Trade)	295,111
Carriages (Private and hired) ..	392,948
Horse for riding or drawing	
taxed Carriages.....	356,356
Other Horses and Mules.....	61,485
Dogs.....	181,002
Horse Dealers.....	13,543
Hair Powder.....	14,378
Armorial Bearings.....	54,889
Game Duties.....	125,431
Per Centage on Compositions	25,909
Ditto on Arrears.....	1,420

**Total Net Receipt....** **£5,819,170**

## POST.

	£
Unpaid Letters.....	1,697,985
Twopenny Letters.....	110,432
West Indies and British North	
America.....	50,181
Postage of Letters received by	
Windowmen of the Foreign	
Office.....	60,161
Passage Money, and Freight	
by the Packets.....	48,471
Miscellaneous Receipts.....	22,154

**Total Net Receipt....** **£1,989,294**

OTHER BRANCHES.		WOODS AND FORESTS.	
	£		£
Duties of Four Shillings in the Pound on Offices and Duty on Personal Estates* .....	28,014	Amount Collected by the Receivers of the Land Revenue in England Wales and Ireland, in Alderney and Isle of Man	219,374
One Shilling Duty on Offices and Pensions† .....	7,446	Rents not included in Receivers' Accounts .....	12,106
Sixpenny Duty ditto† ....	3,707	By Sale or Exchange of Crown Lands, &c. &c. ....	94,128
Total Net Receipt†....	£39,257	By Sale of Bark, Timber, &c...	48,162
	£		£373,770
Hackney Coaches, and Hawkers and Pedlars .....	70,693		£
		Small Branches of the King's } Hereditary Revenue. .... }	6,890
			£
		Surplus Fees of Regulated Offices .....	£37,926

\* These Duties are assessed and collected with the Land Tax.

† These Duties were repealed from 25th March, 1832, so far as regards the Salaries, Pensions, &c. paid out of the Public Revenue, which have therefore been subjected to proportionate Reduction.

*Abstract of Gross and Net Receipts and of the Net Produce of the Public Revenue in the Year ended 5th January, 1832.*

GREAT BRITAIN.

Branches.	Gross Receipt.	Drawbacks, Repayments, Discounts, Bounties, and Allowances.	Net Receipt.
Customs .....	£18,168,497	£1,358,318	£16,810,173
Excise .....	16,900,263	1,671,000	15,229,263
Stamps .....	6,945,560	281,265	6,664,295
Taxes .....	5,228,937	6,219	5,222,718
Post .....	2,064,334	75,040	1,989,294
Other Branches .....	528,766	"	528,766
Great Britain .....	£49,836,351	£3,391,842	£46,404,509

*Abstract continued—*

## IRELAND.

Branches.	Gross Receipt.	Drawbacks, Repayments, Dis- counts, Bounties, and Allowances.	Net Receipt.
	£	£	£
Customs .....	1,477,448	20,548	1,456,900
Excise .....	2,193,079	8,808	2,184,271
Stamps .....	482,040	7,696	474,344
Post .....	256,976	18,907	238,069
Other Branches .....	4,539	„	4,539
Ireland.....	£4,414,082	55,959	4,358,123
Great Britain .....	£49,836,351	3,391,842	46,444,509
United Kingdom.....	£54,250,433	£3,447,801	£50,802,632

	Net Receipt.	Charges of Manage- ment.	Net Produce.
United Kingdom.....	£50,802,632	£3,615,368	£47,187,264

*Statement of the Total Amount of the Principal and Annual Charge of the Funded and Unfunded Debt of the United Kingdom, on the 5th January, 1832.*

FUNDED DEBT.		Total Amount of Capital or Principal Stock unredeemed.
Great Britain (exclusive of £1,450,235 standing in the names of the Commissioners) .....	}	£722,616,457
Ireland .....		32,927,428
Total Amount (of which £497,329,679 is at 3 per Cent.)....		£755,543,885

GREAT BRITAIN.		Annual Charges.
Long Annuities .....		£1,193,033
Life Annuities .....		777,108
Other Annuities .....		1,369,241
Interest of Accumulated Stock under Land Tax Redemption } Acts†. ....		10,847
Charges of Management .....		273,296
Total of Annuities, &c. ....		3,623,525
Interest on Unredeemed Capital .....		22,865,891
Total Amount of Charge .....		£26,489,416
IRELAND.		
Long Annuities .....	£	68
Life Annuities .....	£	7,038
Interest on Unredeemed Capital .....		£1,161,774
Total Annual Charge .....		£1,168,880
Total Annual Charge of United Kingdom .....		£27,658,296
UNFUNDED DEBT.		
Amount of Exchequer Bills outstanding on 5th January, 1832..		£27,133,149

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† This accumulated Stock arises from the Consideration paid for Redemption of Land Tax under the Act of 53 Geo. 3, on Houses contracted for at 18 times the amount of the last annual Assurance thereon, and from double Assessments made annually on Lands, either, as the Contractors chose, for 18 years, or, until such double Assessments vested in Stock; amount with the accruing Dividends, to the usual Sum of Stock necessary for Redemption in all other Cases, that is, until the amount of the accruing Dividends shall exceed the amount of the Land Tax redeemed by one-tenth of it. Many persons availed themselves of these proffered terms and mode of Redemption, (which are adverted to in the Third Part of this Work,) but as the provision, giving the option of them, was limited to a very short period, the Amount of Land Tax contracted for under it, did not amount to a very considerable Sum.













